

**THE IMPACT OF SOCIAL CAPITAL ON CORE COMPETENCE:
THE CASE OF JAPANESE SOGOSHOSHA**

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Abstract

During the recent period of severe and volatile world economic conditions, Japanese Sogoshosha general trading houses have had a consistently dominant presence in the trading industry all over the world. Because of a lack of academic research on the Sogoshosha, however, little is known about how this has been achieved.

The aim of this research is to explore their dominant presence in the global economy and, specifically, the impact of internal and external partner networks on the Sogoshosha's social capital and subsequent contributions to core competence, knowledge transfer, and organisational ambidexterity.

Following the positivist paradigm, a model of the relationships between these constructs was developed, based on the extant literature and further informed by interviews with relevant employees of the Marubeni Sogoshosha. A questionnaire survey of Sogoshosha employees was then undertaken and the data obtained, used to validate this model for both Sogoshosha and external partners. The findings suggest that increasing knowledge sharing with internal partners and generating social capital from external partners have enabled the Sogoshosha consolidate and extend their core competencies, whilst maintaining current business and creating new projects in a balanced manner, through their ambidextrous operations.

In addition to theoretical contributions, the findings of this research lead to a greater understanding of the workings of Sogoshosha and provide practical guidelines for improving organisational performance through the effective use of internal and external networks for the Sogoshosha and other Asian business practitioners.

Keywords:

Sogoshosha, Social Capital, Knowledge Transfer, Organisational Ambidexterity, Core Competence, Internal and External Partnerships, Partial Least Squares Structural Equation Modelling (PLS-SEM)

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Declaration Statement



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List of Abbreviations

ANOVA	Analysis of Variance
AVE	Average Variance Extracted
CB-SEM	Covariance-Based Structural Equation Modelling
CC	Core Competence
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMV	Common Method Variance
CR	Composite Reliability
CVC	Corporate Venture Capital
EBO	Employee Buy-Outs
FT	Financial Technology
FY	Financial Year
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standard
IT	Information Technology
JFTC	Japan Foreign Trade Council, Inc.
JPY	Japanese Yen
KT	Knowledge Transfer
LT	Logistics Technology
M&A	Mergers and Acquisition
MANOVA	Multiple Analysis of Variance
MBO	Management Buy-Outs
METI	Ministry of Economy, Trade, and Industry
MIS	Management Information System
MT	Marketing Technology
NS	Not Significant
OA	Organisational Ambidexterity
PLS-MGA	Partial Least Squares Multi-Group Analysis
PLS-SEM	Partial Least Squares Structural Equation Modelling
R ²	Coefficient of Determination
R&D	Research and Development
SC	Social Capital

SBU Strategic Business Unit

SEM Structural Equation Modelling

SME Small or Medium-sized Enterprise

VAF Variance Accounted For

Chapter 1. Introduction

1.1 Research Background

Sogoshosha is a generic term for the seven largest Japanese trading companies (Itochu, Marubeni, Mitsubishi Shoji, Mitsui Bussan, Sojitz, Sumitomo Shoji, and Toyota Tsusho) (Japan Foreign Trade Council, Inc. (JFTC) 2015; Jun 2009; Whelan 2012). They are different from ordinary trading houses and they have a much broader range of activities, not only in commercial issues but also in other activities such as finance, logistics, and investment in new business. They are defined as global wholesale intermediators that supply huge volumes of natural resources and raw materials, and that distribute products from large manufacturers to smaller distributors and many more retailers (Jun 2009; Young 1979). Sogoshosha are a specific type of organisation that are unique to Japan, and employ tens of thousands of people. They maintain networks in large cities, worldwide, and handle diverse products such as oil and gas, iron and steel, chemicals and chemical products, textiles and apparel, food ingredients and foods, and machinery. They also construct a varied range of structures, from power plants through to housing complexes (JFTC 2015; Jun 2009; Kunio 1982).

The severe and persistent world recession of 2008, and the subsequent highly volatile economic environment, led to stagnant economic conditions for businesses all over the world; while the Sogoshosha, however, continued to create numerous value chains and to invest in businesses and projects, globally. Today, they have changed their business models and developed into business entities that are unparalleled in the world (JFTC 2015; Sakamoto 2010). They have also become a dominant presence in the trading company industry, both in Japan and globally. Their trading transactions accounted for approximately 17% of the Japanese GDP for the 2013 financial year (FY). Despite fluctuations, their trading transactions still retain a high ratio.

Yoshino and Lifson (1986) explained Sogoshosha as follows:

“Even in its native Japan, the Sogoshosha is regarded as a somewhat mysterious entity, difficult to learn about or understand but universally acknowledged as a powerful force in the economy. ... In both Japan and overseas outsiders know relatively little about how and why they operate as they do.” (Yoshino & Lifson 1986, p.3).

There is, therefore, a lack of published academic research on Sogoshosha (Masaoka 2006), and we know little about how and why they operate as such an unparalleled entity, worldwide. For these reasons, prior to any detailed examination of the Sogoshosha, it is necessary to understand how and why they have become so dominant in the world of business through their core competences (see section 3.2) and how they have maintained and enhanced their broad range of function, globally, in such economically volatile environments.

The motivating force for this research is the result of the researcher's own experience as an employee of the Sogoshosha, for more than twenty years, and his curiosity about how their fundamental strength (their core competence) has enabled them to survive in rapidly changing economic circumstances and to maintain their dominant presence in the field of global business.

This thesis assumes that the Sogoshosha's transformation of their business activities, in the face of change, demonstrates a strategic flexibility, which is their greatest strength. This flexibility consists of three drivers: a global business, diversified network, and a long history. The existing literature and this researcher's own long experience of working in the Sogoshosha support this assumption.

“The transactions and activities of Sogoshosha today are often distinguished by the following two major characteristics: the wide range of products handled; and global operations with a diverse set of transactions” (JTFC 2015, p.4).

“Long-term business relations are commonly observed in Japanese companies. Entering into long-term business relations is an essential management task for trading companies, which possess neither their own products nor technology” (Tanaka 2005, p.3).

Based on the extant literature on Sogoshosha and the researcher's personal work experience, this thesis identified the most vital factors for Sogoshosha's core competence and success, (which in turn lead to its strategic flexibility) (Javidan 1998; JTFC 2015). These included: human network (Kawamura, Hayashikawa, Hidaka, & Takemoto 2001);

knowledge sharing and exchange supported by the network (Jun 2009); and their ability to pursue two disparate goals, simultaneously, such as maintaining their incumbent business while pursuing new business development in a balanced manner (Gibson & Birkinshaw 2004).

Sogoshosha facilitate new business opportunities by establishing intimate contacts with influential persons or entities (Kawamura et al. 2001). They support the exchange of information with partners using mutual trust, friendship, and goodwill (Jun 2009). Correspondingly, organisational social capital, such as personal networks of contacts, supported by mutual trust, friendship, and goodwill are instrumental, enabling factors in cross-functional knowledge sharing and knowledge transfer (Leanna & Van Buren 1999; Tsai & Ghoshal 1998).

Organisational ambidexterity describes a firm's ability to pursue two disparate goals, simultaneously, and in a balanced manner, such as exploitation and exploration, or alignment and adaptability (Kauppila 2010; Raisch & Birkinshaw 2008). Firms can achieve organisational ambidexterity based on the core of their dynamic capabilities (Lubatkin, Simsek, Ling & Veiga 2006; He & Wong 2004; Raisch & Birkinshaw 2008; Raisch, Birkinshaw, Probst & Tushman 2009). The organisational ambidexterity of Sogoshosha is a significant factor that allows them to maintain and develop their wide range of functions with strategic flexibility.

This research assumes that social capital (close partnerships), knowledge transfer (the sharing and exchange of information), and organisational ambidexterity are the major contributing important factors of Sogoshosha's core competence which is strategic flexibility.

Therefore, the aim of this study is to examine the functional relationship between each dimension of social capital, knowledge transfer, organisational ambidexterity, and the Sogoshosha's core competence, in order to obtain answers to the comprehensive question:

How have Sogoshosha survived and developed a dominant presence in the world business field, while developing a wide range of functions and a global business network?

The researcher believes that this research will make a substantial positive contribution to Sogoshosha and other global trading companies' performance, by increasing the understanding of the impact and consequences of knowledge sharing and exchanges with both internal and external partners.

This researcher's personal, long-standing and wide-ranging relationship with employees of the Marubeni Corporation, as a Japanese worker, also benefits the contribution to the theory on this topic. Masaoka (2006) claimed that the lack of academic research into Sogoshosha seemed to be the result of its being difficult to gain access to Sogoshosha business people. In his study, Whelan (2012) admitted the difficulty in reviewing large amounts of the Japanese literature on Sogoshosha, because of international researchers' limitations with the Japanese language. This researcher's Japanese language skills and relationship with Sogoshosha enable him to overcome these difficulties, thus bridging the gaps in the under-researched field of Sogoshosha (Masaoka 2006; Whelan 2012).

1.2 Thesis Structure and Contents

This paper consists of seven chapters. Figure 1 below shows the basic research framework, and is followed by an explanation of the contents of the subsequent chapters.

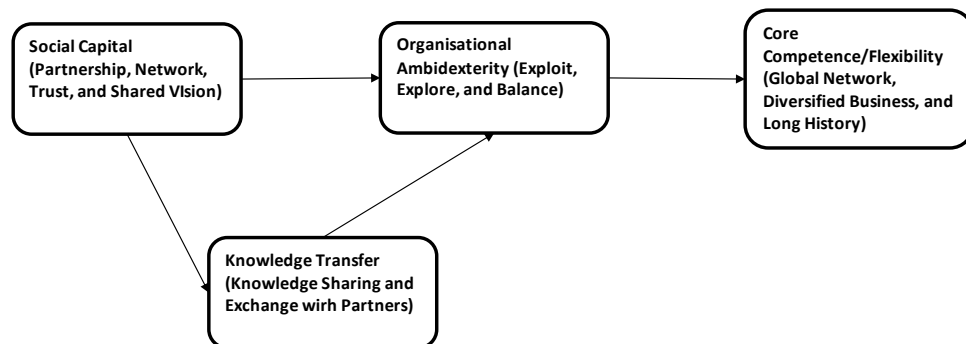


Figure 1: Basic Research Framework

1.2.1 Chapter 2 Sogoshosha

This chapter discusses the characteristics and functions of Sogoshosha and their business scale. It describes their differences from other companies, including ordinary trading houses and foreign general trading companies. It also examines the significant factors for Sogoshosha's core competence arising from their functions and introduces the concepts of social capital, knowledge transfer, and organisational ambidexterity as significant elements in this thesis.

1.2.2 Chapter 3 Literature Review

This chapter reviews the academic research on Sogoshosha and defines Sogoshosha's core competence. It identifies the three main drivers of Sogoshosha's core competence from the literature and discusses them. This chapter also conducts an academic investigation of studies by previous researchers into social capital, knowledge transfer, and organisational ambidexterity, and then argues the importance of each factor for Sogoshosha's core competence.

1.2.3 Chapter 4 Research Hypotheses

This chapter discusses the relationships between social capital, knowledge transfer, organisational ambidexterity, and Sogoshosha's core competence, in depth, to level of examining the dimensions of each variable and the relationships between them. It also introduces the concept of knowledge transfer as a mediator. These discussions lead to the development of four research questions and five supporting research hypotheses, based on the existing literature.

1.2.4 Chapter 5 Methodology

This chapter discusses the main methodological issues of data accessibility and the findings of the pilot study, as well as describing the modifications made to the formal survey.

The researcher explains the procedure for creating Japanese questionnaires, as well as their distribution ways, such as via email or online systems. The chapter describes the measurement and the corresponding scale used for each variable and its dimensions. It also gives a description of the respondent groups, and defines whether they are from the Marubeni Corporation or from the data sample pool held by a professional marketing

company. The researcher also defines the most suitable method of analysis for the collected data, and the sample size required to achieve statistical power.

1.2.5 Chapter 6 Results

The results chapter includes the quantitative results and statistical analysis from the questionnaire data. The researcher checks the levels of reliability and validity for all the latent variable constructs of this research model and determines the different effects in latent variables, as caused by the internal partnerships and external partnerships through the use of PLS-SEM (partial least squares structural equation modelling). We also explain the procedure of post-hoc testing using MANOVA (multiple analyses of variance) and ANOVA (analysis of variance) to check the effect of selected control variables on the latent variables.

1.2.6 Chapter 7 Discussion and Conclusions

In chapter 7, the findings of the research, based on the statistical results of the fitted models and data analyses, are discussed. The research results reflect the difference between the internal and external partnerships and the reasons for the difference are identified. The implications of the research in answering the four research questions generated in chapter 4 are also reviewed in this chapter and the theoretical and practical contributions of the research are confirmed. Finally, the limitations of this research are itemised and future research to extend this study is also suggested.

1.3 Summary

This chapter established the foundations of this research. It introduced the background to the research, the research contribution, the research structure, and the contents of each of the chapters in this thesis. We will now proceed to a detailed explanation of Sogoshosha, in chapter 2.

Chapter 2. Sogoshosha

2.1 Sogoshosha

Sogoshosha is a generic term for the seven largest Japanese trading companies (Itochu, Marubeni, Mitsubishi Shoji, Mitsui Bussan, Sojitz, Sumitomo Shoji, and Toyota Tsusho) (JFTC 2015; Jun 2009; Whelan 2012). They are different from ordinary trading houses and they have a much broader range of activities, not only in commercial issues but also in other activities such as finance, logistics, and investment in new business (Albaum, Strandkov, & Duerr 2002; Jun 2009). They are global wholesale intermediators that supply huge volumes of natural resources and raw materials, and that distribute products from large manufacturers to smaller distributors and many more retailers (Jun 2009; Young 1979). The Sogoshosha are not manufacturers or financial institutions but large traders, suppliers, purchasers, and sales intermediaries, although they often show their function as huge financial intermediators for the purposes of credit extension, coordinating project finance, etc. (Shao & Herbig 1993). They are an organisational innovation unique to Japan that has evolved to deal with the problems the country has faced in international trade in the past.

In the period of rapid Japanese economic development, after the Second World War, The Ministry of Economy, Trade, and Industry (METI) was influential, and it exercised strong administrative leadership over industry (Nakamura 1981). It encouraged the Sogoshosha to rationalise and improve their conventional operations, and to increase and widen the products they dealt with as well as their service range, through active governmental support programmes (Cho 1987; Jun 2009). The Japanese government implemented a strategy to enhance its exports by supporting the Sogoshosha so they could survive the recession, which followed the period of growth caused by the Korean War (from 1950 to 1953).

Sogoshosha are not defined by the various products they handle or even by the unique services they provide because they offer a wide and flexible variety of goods and functions, while adjusting them according to the change of their customers' needs (Yoshino & Lifson 1986). Their activities are essential for the operations of the *keiretsu* (a commonly recognised network of Japanese firms) (Jun 2009; McGuire & Dow 2008; Miyashita & Russel 1994). The Sogoshosha are characterised by huge sales volumes of

their diversified trading items (that range from noodles to satellites) and by the wide range of their global business networks (Tanaka 2005).

Sogoshosha deal with various industrial products, ranging from those derived from resources such as oil, iron, and coal to commodities such as food, automobiles, construction, and clothes. Their influence is worldwide, and their position in Japanese business has remained strong (Whelan 2012). They organise teams for operating chemical or power-generating plants in developing countries. They invest money in retail stores, such as supermarkets, petrol stations, and automotive dealers, in order to access markets directly, while aiming for trading and capital bonuses or gains. They also develop new businesses in a wide range of industrial fields, and occasionally invest their resources in potential markets, acting as incubators or entrepreneurs that can dispatch skilful employees as board members to newly established joint venture companies. They are involved in utilising the functions described above for a wide range of activity (JFTC 2015).

Kunio (1982) and Jun (2009) explained that the Sogoshosha employ tens of thousands of people and their organisational structure is divided into product and administrative units. Product units are in charge of business operations. There are ten to fifteen units: iron and steel, oil and gas, chemicals and chemical products, textiles and apparel, food ingredients and foods, machinery, and construction from power plants to housing complexes, etc. Administrative units undertake support activities (finance, logistics, accounting, auditing, legal, research, etc.). Each unit is subdivided into divisions; for example, the machinery unit is divided into automotive, constructive machinery, industrial machinery, equipment machinery, their leasing business, etc. The Sogoshosha establish and maintain networks in many major global cities and handle diverse products through their unique services, which are supported by their administrative units (Jun 2009; Kunio 1982).

Within their vast and diversified business fields, they aim “to establish intimate contacts with influential individuals, important companies, high-ranking government officials, and national and local leaders in order to conduct rewarding informational activities that can trigger for new exchanges and business opportunities” (Kawamura et al. 2001, p.34).

This research assumes that the Sogoshosha manage good and strong relationships with both their internal and external partners, with independent status in their vast business

field, in order to produce harmony, teamwork, and new knowledge for their organisation. Such partner relationships, and the knowledge transfer achieved through these partnerships, are important resources for the Sogoshosha, and this facilitates their ability to pursue a wide range of activities in a balanced manner, with strategic flexibility as their fundamental strength.

2.2 The Common Characteristics of the Sogoshosha

Each general trading company within the current Sogoshosha has its own vision, strategy, history, organisation, and characteristics. The Sogoshosha have shifted their company resources to more profitable and promising industries, with strategic flexibility and rapidity. In doing this, each general trading company has retained its own strengths and weaknesses. We can identify each of these elements, when we examine each company profile in detail (see Appendix 2.1, Appendix 2.2).

The component companies also have common characteristics such as company scale, function, and a long history since their founding. Their organisational structures and business strategies are also similar and, so, it is difficult to distinguish them from one another, although their areas of strength differ slightly (Whelan 2012).

JFTC (2015) and Tanaka (2012) described the common characteristics of the Sogoshosha as follows:

- a) The Japanese government supported their expanding export markets before the First World War.
- b) They extended their business in Japan's high-growth economy era (1960s–1970s).
- c) They have retained a strong relationship with domestic industry since their foundation. This relationship has supported their long history and developed new business relationships with further business partners (external partners).
- d) They have employed highly capable workers for their business growth and maintained good and close relationships with them (internal partners).
- e) They have constructed and improved modern management systems since the Second World War.
- f) Their trading items and industries are widely ranged across the world.
- g) Their sales volume is huge and they have increased their profits by changing

their wide business portfolio.

As mentioned earlier, “Sogoshosha” is a generic term to the seven largest trading houses in Japan (Itochu, Marubeni, Mitsubishi Shoji, Mitsui Bussan, Sojitz, Sumitomo Shoji, and Toyota Tsusho) (JFTC 2015; Jun 2009; Whelan 2012). Each constituent has the common characteristics, listed above, and therefore, despite any individual approaches to strategy, this research will focus on the commonalities in the Sogoshosha. Thus, the study topic is the integrated entity, the Sogoshosha, not each individual general trading company.

2.3 Comparison of the Sogoshosha and Global Trading Companies

Table 1 below shows the ten biggest trading companies in the world in April 2015, according to Forbes. They ranked the world’s biggest (public) companies (decided using data from Fact Set Research Systems, a multinational financial data and software company headquartered in Norwalk, CT, United States) into four metrics: sales, profits, assets, and market value. All the figures are consolidated¹ and in US dollars (Forbes, April 2015).

Rank	Company	Country	Sales	Profits	Assets	Market Value
131	Mitsubishi Corp	Japan	\$73.1B	\$3.8B	\$143B	\$32.8B
184	Mitsui & Co	Japan	\$52.7B	\$3.5B	\$105.8B	\$23.6B
241	Itochu	Japan	\$53.1B	\$2.8B	\$76.1B	\$17.8B
387	Marubeni	Japan	\$74.1B	\$1.2B	\$66.7B	\$10.1B
524	Toyota Tsusho	Japan	\$81.5B	\$754M	\$37.4B	\$9.6B
624	Sumitomo Corp	Japan	\$34.2B	\$305M	\$78.2B	\$13.5B
893	Hanwha Corp	S Korea	\$35.6B	\$343M	\$113.2B	\$2.4B
925	Samsung C&T	S Korea	\$27B	\$257M	\$26.8B	\$8.5B
944	Adani Enterprises	India	\$10.6B	\$368M	\$20.9B	\$11.1B
1,022	Xiamen C&D	China	\$18B	\$437M	\$15.9B	\$6.4B

Table 1: World’s Biggest Public Trading Companies

It is of note that six of these top ten, global trading companies are part of the Sogoshosha. This demonstrates the Sogoshosha’s strong presence in the trading company industry, worldwide. It is also noteworthy that the remaining four companies are also Asian trading companies.

¹ The rank column shows the ranking based on all companies, including those in other industries.

Tanaka (2012) highlighted the characteristics of trading companies in other countries. The United Kingdom (UK) established multinational trading companies, such as Jardine, Matheson, and Inchcape, which dealt with tea, coffee beans, wood products, and cotton. From the beginning of the nineteenth century, they thrived through their international trade with South East Asian and Southern and Central American countries. They survived the economic damage caused by the First and Second World Wars and diversified their business fields. However, in the 1980s, institutional investors expanded their status as shareholders, taking over from private investors, and made it their investment objective to select the simplest companies, with clear future prospects, in which to concentrate their core business. The UK's general trading companies were forced to release their non-core businesses and to focus their business activities in their core fields. Today, in the 2010s, there seems to be no general trading company equivalent to the Japanese Sogoshosha in the UK (Tanaka 2012).

There are still European trading companies with huge sales volumes, such as Wholeseley (UK/construction material), Rexel (France/electronic parts), and Brentag (Germany/chemicals); however, their trading goods are not as diversified as the Sogoshosha's. In the process of industrialisation in Europe, capital goods and consumer durables such as chemicals, electronic machines, and automobiles were the main export products. These products were manufactured on a large scale and manufacturers had sufficient money to begin the direct export of their products, by establishing their own marketing and trading organisations. They mostly sold their products to developed countries in Europe and/or the United States of America (USA), where they were accustomed to the market and culture and, so, direct export was not difficult for them. Trading companies only played a role when exporting to undeveloped countries or when trading simple commodities such as textiles and clothes (Yoshihara 1987). In line with the above, this trading sector specialised in single industries with limited market, and thus companies in this sector are not considered general trading companies like the Sogoshosha (Tanaka 2012).

Tanaka (2012) continued his explanation relative to the USA. The USA implemented industrialisation by concentrating on the development of its vast domestic market, so the export ratio of its GDP was only four-five percent, immediately after the Second World War. Manufacturers or small trading companies mainly managed the export of its products. From the 1970s, the US government became aggressive in the expansion of its

exports, in order to compensate for its international trade deficit; however, its aim was not to establish or support a global trading company such as the Sogoshosha, but only to expedite exports of products. The result was the development of export departments in some manufacturers, while other manufacturers outsourced their trading functions to foreign trading companies.

The situation is different in Asian countries, where there are examples of the development of global trading companies that reference the Japanese Sogoshosha. The Korean government directed an export-led economic policy in the 1970s and expedited the establishment of Korean trading companies, following the Japanese Sogoshosha model. Samsung, Hyundai, and Daewoo are now globally famous for their electrical appliances, automobiles, and other commodities. Samsung ranks eighth in the Forbes list in Table 1 on page 10. They mainly rely on business within their group companies, however, and their organisational transactions with other companies are restricted. In addition, they specialise in the export of products from their group companies, and do not play a big role in import or third-country trade. This causes a large transaction volume gap between Korean trading companies and the Japanese Sogoshosha.

Other newly developing countries, such as India and China, have also developed global trading companies in the style of the Japanese Sogoshosha, with aggressive support from their respective governments. Although these global trading companies are expected to expand and diversify their business, e.g. Korean trading companies, they have not managed to match the current diversity and economic might of any of the Japanese Sogoshosha (Tanaka 2012).

Tanaka (2012) concluded as follows: At least at present, there are no trading companies, which are equivalent to the Japanese Sogoshosha, in the world, in terms of scale and function, although there are similar entities, such as Korean, Indian, and Chinese trading companies. This researcher supposes that Asian global trading companies may catch up with the Japanese Sogoshosha or surpass them in the future, because of their strong governmental support and trading items that are widely diversified in comparison to those of Europe and the USA. In this regard, this research on Sogoshosha will offer some foresight, especially for Asian practitioners engaged in trading activities, on improving the organisational aspects of their company performance.

2.4 Functions of the Sogoshosha

Yamaji (1991) itemised the main activities of the Sogoshosha. He stated that they perform intermediary or simple broker functions, and mid- or long-term credit functions; these include adjusting projects for smooth progress and for information processing and exchange.

Shao and Herbig (1993) explained that the Sogoshosha are generally likely to have the following characteristics and to demonstrate numerous services and functions: 1) financial services, 2) information services, 3) risk reduction services, 4) organisation and coordination services, 5) supplementary services, 6) human resources, 7) financial resource, 8) global commercial networking, and 9) communications systems.

JFTC (2011) explained that the Sogoshosha have developed ways to take advantage of their strong, diversified, and value-added functions. These have been built up over their long-time experience and are associated with their “(1) information collection, analysis, and market development capabilities; (2) project management and risk management knowledge; and (3) IT (information technology), LT (logistics technology), FT (financial technology), and MT (marketing technology), etc.” (p.7). The Sogoshosha have changed their roles and functions continuously in response to changing times (JFTC 2011).

Taking the above discussions into account, Jun (2009) explained the typical and sustainable functions of the Sogoshosha, in detail, and these are described in the following subsections.

2.4.1 Trading and Transactional Intermediator Function

The Sogoshosha are traders who specialise in import and export and who act as third-country (offshore) trading intermediaries. They transact, upstream and downstream, as buyers and sellers in a vast variety of industries, both globally and domestically. This comprises such diverse items as mineral water and satellites and satellite communications. By taking risks in these global markets, they have expanded their markets, while controlling supply and demand for these commodities. The major source of revenue for the Sogoshosha comes from these trading intermediation activities (Jun 2009; Kojima & Ozawa 1984).

2.4.2 Information and Intelligence Gathering Function

It is of paramount importance for the Sogoshosha to obtain reliable information promptly, in order to develop future business opportunities and to maintain good relationships with their customers. They collect relevant information that covers a wide range of topics, including political, economic, industrial, market, and technology, together with legal and taxation information of international trading, through their worldwide branch network and add value by analysing it. They use this information to plan corporate strategy and management and to devise daily business tactics and activities. Furthermore, by providing this reliable and relevant business information in a timely fashion, their customers and clients are also empowered to improve their business performance (JFTC 2015; Jun 2009). This capability has been enhanced substantially by continued advancements in information technology.

2.4.3 Financial Services Function

The Sogoshosha also acts as a financier, distinct from that of traditional banks or alternative financial outlets. They offer credit, loans, and loan guarantees for their buyers and sellers. Due to their capitalisation, the Sogoshosha are able to borrow from the international capital markets and other financial channels at advantageous terms. They are, therefore able to offer mergers and acquisitions (M & A), management buy-outs (MBO), and employee buy-outs (EBO) financing (JFTC 2015; Jun 2009).

2.4.4 Organisation of Complex Projects and Logistics Functions

By integrating their trade intermediation, information gathering, and financial service functions, the Sogoshosha can offer a unique function as an organiser of global business projects (Dicken & Miyamachi 1998). They make package proposals for projects, such as the construction of power plants, oil refineries, petrochemical plants, ironworks, and natural resources development, by combining their various functions. Furthermore, they plan projects to include suitable partner arrangements, human resource management, funding for investments, procurement of material and equipment, project insurance arrangement, and market promotional activities (JFTC 2015; Jun 2009).

The Sogoshosha develop their logistic network systems in their projects. They also manage the logistic operations of warehouses and distribution centres. They further aim to create a comprehensive and optimised logistics system, in order to satisfy the needs of projects at every stage of cargo flow (JFTC 2015; Jun 2009).

2.4.5 Risk Management Function

The Sogoshosha use their diversified knowledge and management resources in order to minimise the various risks associated with their daily business transactions. They use hedging, via insurance arrangements, to reduce the risks for venture capital and project finance, with international settlement through currency exchange being managed by currency exchange rate booking. These refined risk management functions are useful, especially in businesses that are difficult to predict, such as new large-scale projects in developing countries and venture business in green field investment. They are also able to select suitable partners, constitute consortiums, and share responsibilities effectively for the projects, through their various risk management functions (JFTC 2015; Jun 2009).

2.4.6 New Resources Development and Joint Venture Functions

The Sogoshosha are pioneers in investing in the development of food ingredients, raw materials, fuel, steel, metals, and other natural resources. Their resource development activities have been fundamental to the economic growth of Japan, a country with fewer natural resources than other countries (JFTC 2015; Jun 2009).

They also establish joint venture companies all over the world, based on their global networks, in order to profit from the economic growth of developing countries or the earnings gained from stimulating regional economic growth by establishing new projects (JFTC 2015; Jun 2009).

2.5 Important Factors behind the Functions of the Sogoshosha

In the previous section, we described the broad functions of the Sogoshosha as trading, transactional intermediation, information management, financial coordination, logistics operation, organisational coordination, risk management, and new business development.

With such a wide range of fields, the management of information and intelligence becomes more important. A large part of an organisation's business activity is strongly linked to information transactions with internal and external partners. For this reason, an organisation's capabilities for information processing directly affect its strategic capability (Johnson, Scholes, & Whittington 2005; Jun 2009). Of all the various functions of the Sogoshosha, information and intelligence gathering functions are the most

important in today's highly volatile, and rapidly changing business environment (Jun 2009).

The Sogoshosha gather and exchange information with reliable partners, based on their mutual trust and relationships that facilitate the acquisition of valuable and specific information for the Sogoshosha (Kawamura et al. 2001). In their varied and global activities, it is important to have close communication with influential individuals and organisations, such as important manufacturers, distributors, high-ranking government officials, and national and local leaders, in order to exchange useful and specific information, which may create new business ideas and opportunities (Kawamura et al. 2001).

Managers throughout the firm also play pivotal roles in shaping entrepreneurial orientation, by sharing their function-specific knowledge with colleagues who reside in other areas of the organisation (Grant 1996; Luca & Atuahene-Gima 2007; Szulanski 1996). In this regard, organisational social capital, such as personal networks of contacts, supported by mutual trust, friendship, and goodwill, are instrumental enabling factors for cross-functional knowledge sharing and knowledge transfer (Leanna & Van Buren 1999; Tsai & Ghoshal 1998).

In their global and diversified business, and with the above-mentioned broad range of functions, the Sogoshosha operate in a selected product market for stable profit, while searching for market opportunities through experimental investment. For example, they pursue two different goals, such as global investment (the development of a market opportunity) and localisation of their operation (for stable profit), in a balanced manner and to gain fruitful results. We can say that the Sogoshosha are organisationally ambidextrous and this enables them to use their various functions smoothly and flexibly. Gibson and Birkinshaw (2004) explained organisational ambidexterity, referencing previous researchers, as follows: Organisational ambidexterity refers to an organisation's ability to execute two opposing goals simultaneously, such as manufacturing efficiency and flexibility (Adler, Goldoftas, & Levine 1999; Carlsson 1989); cost leadership and differentiation strategy (Porter 1985, 1996); or local responsibility and global network expansion (Bartlett & Ghoshal 1989).

In line with the above discussion, this research assumes that knowledge transfer (exchange of information), social capital (close partnerships), and organisational ambidexterity (ability to pursue two disparate goals in a balanced manner) are the important factors through which the Sogoshosha retains their core competence. We discuss core competence, and its significant contributing important factors in the chapter 3.

2.6 Summary

We have clearly outlined the characteristics of the Sogoshosha in this chapter, as well as investigating the difference between other global trading companies and the Sogoshosha. Although they are a uniquely Japanese organisation, Korean, Indian, and Chinese global trading companies are following the Sogoshosha's example by introducing the same functions, which are leading to successful achievements. We discussed the huge sales' scale of the Sogoshosha and the fact that they have achieved a significant presence in the world economy. We reiterated their wide range of functions and extracted the important factors for their successful achievements out of their functions.

The researcher supposes that social capital (partner relationships, such as close contacts with partners), knowledge transfer (information exchange in their vast internal, external, and global networks), and organisational ambidexterity (ability to pursue disparate goals in a balanced manner) are the most significant factors in their function and core competence.

This research on the Sogoshosha will make a substantial contribution to business practitioners, especially in Japan and Asian countries, by offering suggestions to improve their company's operations and performance relative to knowledge transfer and partnerships with others, as well as the ambidextrous capabilities that are required the exercise in their daily activities.

In the next chapter, we undertake a review of the existing literature on the Sogoshosha, the concept of core competency and as its important contributing factors (social capital, knowledge transfer, and organisational ambidexterity) from an academic perspective.

Chapter 3. Literature Review

3.1 Literature Review on the Sogoshosha

There are many studies of the Sogoshosha; however, due to their particularly Japanese nature, (most are written in Japanese), they are rarely discussed in the global academic field, notwithstanding their great and broad presence in the global economy. The trading transaction volume of the five biggest Sogoshosha (Itochu, Marubeni, Mitsubishi Shoji, Mitsui Bussan, and Sumitomo Shoji) makes up approximately 38% of all imports and nearly 20% of all exports in Japan (Whelan 2012).

Masaoka (2006) categorised the main research themes relative to the Sogoshosha in previous literature as follows: a) comprehensive research, b) historical research, and c) research into global investment by the Sogoshosha. These are discussed in the following subsections.

3.1.1 Comprehensive Research

With the category of comprehensive research, researchers investigate definitions of the Sogoshosha; their scale of business; their functions, such as trading intermediation and logistics organisation. They examine the group of companies, their history, their management systems, and their human resources: They make comparisons between trading companies and the Sogoshosha etc. Their purpose is to build a general view of the Sogoshosha by explaining their various aspects.

The Sogoshosha are the result of an organisational innovation in Japan that was required to solve problems in international trade. The Sogoshosha are peculiar to Japan and they employ tens of thousands of people, while establishing and maintaining a global network of the main cities. They deal in diverse products such as iron and steel, oil and gas, chemicals and chemical products, textiles and apparel, food ingredients and foods, machinery, and construction from power plants to housing complexes (Kunio 1982). Yamamura (1985) pointed out that the Sogoshosha are economic organisations, one of whose main functions is to minimise the risks associated with their business transactions through their ability to distribute and hedge risks. They also reduce business transaction costs through their ability to use economies of scale and to use their business resources efficiently. Yoshino and Lifson (1986) described the Sogoshosha as follows:

“Sogoshosha is, like no other type of company, not defined by the products it handles or even by the particular services it performs, for it offers a broad and changing array of goods and functions” (p.2).

Roehl (2004) found the Sogoshosha to be more resilient to market changes than their business partners expect, because of their ability to forge new and complex relationships with buyers and sellers, whilst simultaneously trying to adapt to market changes through expanding their business activities that exceed ordinary trading. These relationships provide the companies with “information resources that allow these institutions to take advantage of new situations” (Roehl 2004, p.417). Larke and Davies (2007) believed that “long-term survival and growth for trading firms relies, therefore, on their ability to create new and often diverse opportunities and to maintain a widely dispersed network of business” (p.7).

The extant studies in this field of research offer a general understanding of the Sogoshosha, by spotlighting their various elements. The studies referenced here are often used as the definition of the Sogoshosha and their functions. Thus, we can understand their fundamental strength to be their core competence, from their diversified functions with their widely spread information network.

3.1.2 Historical Research

Studying the way the Sogoshosha were created and how they have developed, in Japan, is one of the main fields of the Sogoshosha research. Business history researchers conduct these studies by making thorough case studies of each trading company and its historical investigation.

Specific trading companies were encouraged to become the Sogoshosha, after the Second World War, because their weak sales platforms needed innovative management activities, such as the unearthing of new products, new marketing developments, retention of new supply sources, the establishment of new organisations, etc. (Yonekawa 1983). Yamazaki (1987) pointed out the significance of studying the conditions under which the Sogoshosha exist and develop, rather than the necessity of shifting from ordinary trading companies to the Sogoshosha.

Hashimoto (1998) evaluated the historical contribution of the Sogoshosha, from the perspective of their external networks. They have brought about global trading profit and

expedited industrial growth in Japan. Cho (1987) and Murofushi (1998) investigated the evolution of the Sogoshosha, from the Second World War (period of growth) to the 1990s (period of management reform for globalisation) from the perspective of function (see Appendix 3.1).

The studies in this field of research help to understand the origins of the Sogoshosha as well as how they have developed, with their own diversified functions, for a long time, sometimes supported by the government. We can confirm their long history, and credibility in business relationships, as one of the sub dimensions of the Sogoshosha's core competence.

3.1.3 Research into Global Investment by the Sogoshosha

Previous studies in this field of research conducted investigations into the global activity of the Sogoshosha, including their foreign joint ventures and the way they have developed natural resources, globally.

Pak and Park (2004) evaluated the relevance of internalisation theory to the global ownership strategy of 444 Japanese manufacturing firms and their preference for forming joint ventures with the Sogoshosha to reduce risk. Internalisation theory suggests that cultural distance may generate additional costs associated with information collection and may also disrupt communication processes that require some common ground in order to code and decode the information (Pak & Park 2004). Being less familiar with the target country makes integration more difficult and increases internalisation costs, which is why firms prefer to cooperate with the Sogoshosha. Meyer-Ohle (2004) examined the Sogoshosha's efforts to increase their presence in the local retailer sectors of other countries, after investment, by identifying two core functions: trading activities and the nurturing of new business inside and outside of Japan. Five other functions support these core functions: financing, logistics, information, risk management, and organising. Goerzen and Makino (2007) looked at the foreign acquisition activities of the Sogoshosha, focusing on their service sectors. The authors found evidence that these firms initially invest in services that are close to their core business. Subsequent investments are more location-specific and less related to their core activities. Their findings suggest that this form of internationalisation results in a higher degree of success, as well as a reduction in risks.

The research in this field highlights the unique functions of the Sogoshosha, such as conducting global investment and localised operations simultaneously in a balanced manner, bringing about successful business performance. It also infers that their global network is one of the sub dimensions of the Sogoshosha's core competence.

3.1.4 New Directions of Research on the Sogoshosha

Masaoka (2006) criticised most studies on the Sogoshosha saying they provided an outline but rarely conducted specific academic research on them. He attempted to conduct an in-depth academic investigation of the Sogoshosha, as a new research category, by studying their general and integrated characteristics based on a longitudinal case study. Recently, Whelan (2012) investigated the decision-making processes of the Sogoshosha and their merit for Western management practices, through a wide literature review and a panel discussion. Such an approach is still rare, however, and even if researchers tackle this undeveloped field, empirical study is difficult as follows.

Masaoka (2006) claimed that the lack of academic research into the Sogoshosha seems to be the result of its being difficult to access Sogoshosha business people, who are engaged in a wide range of business in Japan and across the world, many of whom are entrusted with confidential information. He himself worked for the Sogoshosha and his experiences there substantially supported his study. Whelan (2012) had a good relationship with a Sogoshosha employee and was able to use his interviews with that person to collect information and to conduct his research. These two specific academic studies offer suggestions for this research; however, Masaoka (2006) relied on his old experience, although he compensated for this by interviewing other incumbent employees of the Sogoshosha. Whelan (2012) extended his literature review in his dissertation; nevertheless, he admitted a lack of access to the full range of existing materials because of his inadequate Japanese language skills, as a non-native.

Research into the Sogoshosha, comprises many studies that focus on a general view, such as definition, function, business history, and global investment. They may partially investigate the Sogoshosha's core competence in each research field; however, specific academic research that focuses on the Sogoshosha's core competence is rare. Although further academic research on the Sogoshosha will certainly be made, the current restrictions of the literature's sources often being in Japanese, and the difficulty of access to Sogoshosha employees for data collection, remain.

The researcher still works for the Sogoshosha and has direct access to the Sogoshosha employees, largely, with appropriate confidentiality. He can also freely access the relevant Japanese studies on the Sogoshosha, through his skills in the Japanese language. These favourable circumstances may add contemporary elements, fresh data, and wider information to this research, and may fill a gap in the undeveloped academic field of research on the Sogoshosha.

The above advantages help address this research's assumption that partner relationships, knowledge transfer, and organisational ambidexterity are important resources for the Sogoshosha in maintaining their globally diversified operations with a dominant presence in Japan and across the world. These resources and attributes are vital factors in the Sogoshosha's developing strategic flexibility as their own core competence.

In the next section, we discuss core competence and move on to the arguments on the Sogoshosha's core competence.

3.2 Literature on Core Competence

Prahalad and Hamel (1990) are the initiators of the concept of core competence. They explain core competence by describing diversified corporation as a large, hierarchically structured tree. They compare the root of the tree to the core competence that supplies nourishment, sustainability, and stability to the tree. One can say that the trunk and major limbs are the company's core products, the smaller branches are the business units, and the leaves and fruit are the end products. Core competences are developed by knowledge acquisition through the collective learning in the organisation, especially as concerns effective coordination and the integration of diversified production skills and multiple technologies. Core competence becomes 'firm specific' by integrating and transforming a firm's business resources through communication, both internal and external to the organisation, and through a deep commitment to working across organisational boundaries. Core competence therefore involves many levels of people and all functions (Prahalad & Hamel 1990).

Javidan (1998) clarified core competence further by citing the Prahalad and Hamel's study (1990). He made clear distinctions between the concepts of resource, capability,

competence, and core competence, which earlier researchers had often considered as synonymous. He explained this as follows:

Resources

Resources are the constituents of competences and lie at the bottom of the hierarchy. Barney (1991) categorised resources into three groups: physical resources, such as factories and land; human resources, such as human power and employees' skills; and organisational resources, such as brand names and reputation. Physical resources are tangible, while others are not (Javidan 1998).

Capabilities

Capabilities refer to a corporation's ability to use its resources, and lie at the second level of the hierarchy. Capabilities include the business processes and routines that manage interactions among a company's resources. These processes and routines facilitate transformation from input to output. For example, a company's marketing capability manages the interactions between its staff (human resources, such as skilled employees) and technology (physical resources, such as computer hardware and software), based on the market information as input. Finally, the company can create reputable new products as output (organisational resources, such as brand names) (Javidan 1998).

Competence

Competence concerns the cross-functional integration and coordination of capabilities, and lies at the third level of the hierarchy. "In a multi-business corporation, competencies are a set of skills and know-hows housed in a strategic business unit (SBU). They result from interfaces and integration among the SBU's functional capabilities" (Javidan 1998, p.62). For example, a particular SBU has the competence to develop new products. Their relevant functional capabilities, such as their research and development (R&D), marketing, and production capabilities may be integrated into their competence (Javidan 1998).

Core Competences

Core competences come from the integration of competences across the SBU's boundaries, and they lie at the highest level of the hierarchy. Core competences are the skills and knowledge that are shared across business units. They constitute a harmonised collection of competences that are widespread in the company. In order to develop core

competences, a company must carry out organisational learning and facilitate an environment where all competences are integrated across the company. For example, new product development is a core competence if it goes beyond one SBU (Javidan 1998).

Lindgren, Henfridsson, and Schultze (2004) stated that all firm specific resources, such as knowledge, technology, and relational networks can develop into a firm's own competence through the interaction of its capabilities, such as business routines and processes. These competences can become a firm's core competences through organisational learning.

In addition to the above, it is important to distinguish between two critical concepts: "competitive advantage and core competence. The two are not necessarily the same but can be closely related because a successful competitive strategy is built on the firm's core competences and competitive advantages" (Javidan 1998, p.66).

Javidan (1998), and Prahalad and Hamel (1990) explained that core competence is a conceptual tool used to examine and exploit a firm's internal strengths more rigorously. They defined core competences as "the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies" (Prahalad & Hamel 1990, p.82). Core competences are a corporation's fundamental strengths. They are the key factors by which the company does well. Once a company has identified its core competences, it can then examine possible opportunities where such competences might lead to new products or new markets. A core competence is valuable if it provides potential access to new markets, if it satisfies specific customer needs, and/or if it is difficult to imitate. In order to achieve competences, the integration and coordination of several functions in the same SBU are required. The company should develop the ability to integrate, communicate, and cooperate between different SBUs and other units inside the company to develop their core competences (Javidan 1998; Prahalad & Hamel 1990).

Ljungquist (2007) discussed the strategic aspects of core competences and found out they affect organisational change by citing previous studies. Other researchers have viewed core competence as a strategic platform that facilitates the transfer of company's resources, in order to create changes and opportunities (Unland & Kleiner 1996). Prahalad and Hamel (1990) also discussed the idea of a strategic platform in their study, however

Unland and Kleiner were more explicit about this explanation. The strategic platform idea was also evident in other literature on core competence. Hafeez, Zhang, and Malak (2002), for instance, defined a core competence as strategic flexibility in many contemporary management concepts, particularly as to resource deployment and routine reorganisation.

In line with the above discussion, this study distinguishes core competence from other similar concepts: resources, capability, and competence. Our study defines core competence as having the following concrete characteristics:

Core competences are a corporation's fundamental strengths, skills, and knowledge, which are shared across business units (Javidan 1998). They form the strategic platform that eases a company's redeployment of resources in order to promote change and opportunity (Unland & Kleiner 1996). They involve many levels of people and all functions (Prahalad & Hamel 1990).

In the following section, we will examine the Sogoshosha's core competence, under the lens of the above definition.

3.2.1 The Sogoshosha's Core Competence

Yoshino and Lifson (1986) examined the competitive advantages that allow the Sogoshosha to provide value for their clients and themselves, and that are associated with scale, diversity, and preferential access to capital and information. The human and organisational capabilities of the Sogoshosha are an ultimate source of value and are the heart of the Sogoshosha's distinctive competence (Yoshino & Lifson 1986).

Larke and Davies (2007) pointed out the significance of a business network for the Sogoshosha. The widespread and highly dynamic business networks of the Sogoshosha are useful to them, allowing them to retain a wide variety of skills and access to business fields that support their long-term survival and sustainable growth.

The researchers, above, understand human and organisational capabilities, opportunities creation, and networking as the core competences of the Sogoshosha. However, the argument can be made that these do not seem to be strong distinguishing points from other trading house and global manufacturers.

The Sogoshosha have developed a wide range of functions in business locations worldwide, while constantly optimising their diverse trading operations from upstream to downstream of procurement and distribution channels. Their business fields include the procurement of raw materials in upstream business flow to the sales of the final products in downstream business flow. They intermediate in every step of this business flow while adding value to products and services in this process. The Sogoshosha have successfully transformed their business activities responding to changes in contemporary needs and getting ahead of the times. This flexibility is their greatest strength (JTFC 2015).

This researcher finds that the above description is the closest to his own long working experience (longer than 20 years) and knowledge of the Sogoshosha, from a practical viewpoint.

The Sogoshosha's strategic flexibility is also apparent in the drastic changes in their business portfolio during five-year-period from FY2010 to FY2015 (see Table 2 below, and Appendix 2.2).

	Itochu Corp	Marubeni Corp	Mitsubishi Corp	Mitsui & Co, Ltd	Sojitz Corp	Sumitomo Corp	Toyota Tsusho Corp
FY2010	Metal& Mineral	Metal& Mineral	Metal	Metal	Energy& Metal	Energy& Chemical	Machinery
FY2014	Food	Machinery	Food&Life	Energy	Chemical	Machinery	Machinery

Table 2: Biggest Operational Segment for Net Profit Attributable to the Sogoshosha

This research defines strategic flexibility as the core competence for the Sogoshosha. Their fundamental strength, strategic flexibility, is shared across the corporation as a whole and it is a strategic platform for their business.

3.2.2 Drivers of the Sogoshosha's Core Competence

In recent times, the transactions and activities of the Sogoshosha have frequently been represented with following characteristics: a wide range of products and global operations with diversified transactions (JTFC 2015).

These features relate to the Sogoshosha as follows:

Firstly, the Sogoshosha handle an entire and complex range of products, from raw materials to end products, in almost all kinds of industry: machinery, transportation,

machine plants, communication equipment, foods, textiles, energy resources, metals, chemicals, etc. They are intermediaries in all kinds of transaction processes both up and downstream. They recently broke into new business markets, in the service sector, such as food services, mobile communications, information and communication technology (ICT), bio- and nanotechnology, life care and the global environment, etc. (JFTC 2015). They have a diversified and wide range of products as detailed in Appendix 2.1.

Secondly, the global scale of the Sogoshosha's operations can be divided into four major transactions: (a) purely domestic transactions in Japan; (b) export from Japan; (c) import to Japan; and (d) third-country trade (offshore trade). The Sogoshosha handle a large portion of the imports of raw materials and natural resources from foreign countries to Japan, and they support large-scale overseas projects with Japanese consortiums. The Sogoshosha invest in and provide financial facilities, all over the world, that facilitate the transactions and economy of each regional business (JFTC 2015).

Table 3 below shows their wide network both domestically and globally².

	Itochu Corp	Marubeni Corp	Mitsubishi Corp	Mitsui & Co, Ltd	Sojitz Corp	Sumitomo Corp	Toyota Tsusho Corp
Number of Overseas Locations	117	119	195	138	91	116	51
Number of Domestic Locations	9	11	29	12	7	23	13

Table 3: Number of Overseas and Domestic Locations of the Sogoshosha (April 2015)

In line with the above discussion, the researcher postulates that the drivers of the Sogoshosha's strategic flexibility as their core competence are their global networks and diversified business. Their overseas offices, of their global businesses, allow the Sogoshosha to be flexible in the face of market changes in each region and to take advantage of business opportunities by gathering the local information. Their diversified businesses, which deal with a wide range of products and services, yield strategic flexibility to the Sogoshosha, allowing them to select the most suitable business portfolio mix from their wide range of business options, whilst dispersing their business risks.

In addition, the researcher highlights the credibility of the Sogoshosha that comes from their long history. Out of 3,647 Japanese listed companies, 503 were founded more than

² Source: Financial statements of respective companies

100 years ago (Tokyo Shoko Research 2016). They make up less than 14% of all listed companies. As Table 4 below shows, five constituent companies of the Sogoshosha have been in business longer than 100 years³ and in some cases more than 150 years. We can conclusively state that the Sogoshosha have long business histories.

	Itochu Corp	Marubeni Corp	Mitsubishi Corp	Mitsui & Co, Ltd	Sojitz Corp	Sumitomo Corp	Toyota Tsusho Corp
Founded Year	1858	1858	1871	1876	1862	1919	1936
Incorporated Year	1949	1949	1954	1947	2004	1952	1948

Table 4: Founding and Incorporation Years of the Sogoshosha

“Long-term business relations are commonly observed in Japanese companies.... Entering into long-term business relations is an essential management task for trading companies, which possessed neither their own products nor technology” (Tanaka 2005, p.3). Kawamura et al. (2000) pointed out “the core competence of Sogoshosha lies in its brand asset. A good brand generates credibility. Credibility is the foundation of every exchange and operation conducted by the Sogoshosha” (p. 32). Driven by this idea, the Sogoshosha have concentrated all their effort, for many years, on improving their brand recognition and reputation, on a domestic and global scale.

This research assumes that the long history of the Sogoshosha, and the credibility this fosters, will generate the Sogoshosha’s core competence by supplying a flexible foundation for their business operations and transactions.

Thus, this researcher assumes the core competence for the Sogoshosha is their “strategic flexibility” according to above argument and while referencing previous research on the Sogoshosha (JFTC 2015; Kawamura et al. 2000; Larke & Davies 2007; Tanaka 2005; Yoshino & Lifson 1986) as well as incorporating the researcher’s long experience of working in the Sogoshosha, at the Marubeni Corporation. The drivers of the core competences for the Sogoshosha can be summarised as follows:

1) Global Network:

³ Financial statements of respective companies

They have representative offices in almost all countries around the world. They have effective and efficient mutual relationships, which bring about new business opportunities.

2) Diversified Business:

They cover almost all businesses in every industry. Such multilateral traits were formerly seen as indicating a lack of integrity; however, by using this characteristic as risk dispersion and an opportunity pool, the diversified businesses are able to survive severe adverse economic events and to continue expanding.

3) Long History:

They have a long history, in some cases of more than one hundred and fifty years' operation. This legacy provides them with credibility, accumulated capital and excellent human capital, as well as good business relationships with their partners.

We have examined the literature that looks at the Sogoshosha and core competence. In the following section, we will examine the literature on social capital, knowledge transfer, and organisational ambidexterity.

3.3 Literature on Social Capital

“The term social capital was originally used to describe the relational resources, embedded in cross-cutting personal ties, that are useful for the development of individuals in community social organisations” (Tsai & Ghoshal 1998, p.464). Nahapiet and Ghoshal (1998) defined social capital succinctly “as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (p.243).

Tsai and Ghoshal (1998) further expanded the research into social capital by citing previous studies, as follows: Researchers have applied this concept to a wider range of social phenomena, such as relationships inside and outside the family (Coleman 1988), relationships within and beyond the firm (Burt 1992), the interface of organisation and market (Baker 1990), and the life of the general public in contemporary societies (Putnam 1993, 1995).

Several studies have claimed that social capital is a productive resource, in the same way as physical and human capital, which enhances activities that range from the occupational achievement of an individual (Lin & Dumin 1986; Lin, Ensel, & Vaughn 1981; Marsden & Hurlbert 1988) to the business operations of a firm (Baker 1990; Burt 1992; Coleman 1990).

Nahapiet and Ghoshal (1998) suggested a theoretical model to explain the functional relationship between social capital and value creation in firms. Other researchers have developed social capital theory to explain the value of social relationships that is inherent in networks. Broadly described as an asset embedded in relationships (Leana & Van Buren 1999), social capital is developed when relationships facilitate instrumental action among people (Coleman 1988). Social capital can benefit individuals (a private good view) by, among other things, increasing their probability of promotion and career success (Burt 1992; Seibert, Kraimer, & Liden 2001), but it can also benefit organisations (a public good view) by increasing communication efficiency, associability, and employee trust (Leana & Van Buren 1999). Leana and Van Buren (1999) further argued that organisational social capital improves organisational performance by enhancing individual commitment to the collective goal, thus increasing flexibility within the organisation and fostering firm's intellectual capital.

Moran (2005) expressed the importance of studying social capital, in terms of business strategic management, saying it is a firm's most valuable asset, separate from physical or financial capital. Whereas some scholars still have different understandings of the concept of social capital, there is a broad consensus of it. Namely, social capital is a valuable asset in the firm and its value arises from access to the firm's resources, through social relationships amongst the members of the firm. Social capital is an important subject in business studies, especially from the aspect of strategic management, because it may have a relationship with organisational performance at various levels. Social capital has its own unique features such as durability and interconnectedness between organisational members. Social capital is highly connected with organisations and it has a strong effect on a firm's development and strategy as its most enduring sources of core competence. Scholars have studied the relationship between social capital and organisational performance from an individual, company, and national level (Moran 2005).

Moran (2005) further explained the definition and mechanism of social capital. There are mainly two debates regarding the definition of social capital and the mechanism of it. One focusses on network structure only for theorising about social capital or investigating its benefits. The other carefully looks at the more specific ways in which social network structure has a positive relationship with organisational performance (Moran 2005).

The above argument, leads to an understanding of the concept of social capital and the development of the study of social capital, as well as the importance of this research from the viewpoint of strategic management.

3.3.1 This Research's Definition of Social Capital

When it comes to a precise definition of social capital, a consensus does seem to be lacking among authors. Some researchers, such as Baker (1990), have focused on the structure of relationship networks, while, others, such as Bourdieu (1986, 1993) and Putnam (1995), have also included the actual or potential resources that are accessible through such networks in their studies.

Nahapiet and Ghoshal (1998) defined social capital as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (p.243). They suggested that social capital is considered in terms of three clusters, in relation to intellectual capital: structural, relational, and cognitive. They reported that the differences between firms, including their performances, might represent differences in their ability to create and exploit social capital. They explained that organisational advantage is based on the particular capabilities for organisations to create and share knowledge. They developed the following arguments (Nahapiet & Ghoshal 1998, p.242):

- 1) Social capital facilitates the creation of new intellectual capital.
- 2) Organisations, as institutional settings, are conducive to the development of high levels of social capital.
- 3) Due to their denser social capital, firms have a market advantage, within certain limits, in creating and sharing intellectual capital.

Tsai and Ghoshal (1998) investigated the relationships among and between the structural, relational, and cognitive dimensions of social capital. They also examined the relationships between those dimensions and the patterns of resource exchange, as well as product innovation in a company. They suggested that social interaction (the structural dimension of social capital) and trust (the relational dimension of social capital) have a strong effect on the level of interunit resource exchange and product innovation as a result (Tsai & Ghoshal 1998). They developed questions for each variable in their research: social interaction (the structural dimension of social capital), trust and trustworthiness (the relational dimension of social capital), a shared vision (the cognitive dimension of social capital), resource exchange and combination, and product innovation.

This research agrees with Nahapiet and Ghoshal's study (1998, p.243), and defines social capital "as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit". Additionally, in this study, the relational and cognitive dimensions of social capital will be used to represent trust, trustworthiness, and a shared vision, as advocated by Tsai and Ghoshal (1998).

The Sogoshosha aim to create close relationships with both internal and external partners that can help to support and maintain their current business, while identifying new business opportunities. The internal partners are those individuals belonging to the same Sogoshosha. Other individuals who have relationships with the Sogoshosha employees, but who are employed outside the organisation are the external partners (Goold & Campbell 2003).

3.3.2 Relational Dimension

Nahapiet and Ghoshal (1998) introduced the relational dimension of social capital by citing the study of Granovetter (1992) as follows: "relational embeddedness describes the kind of personal relationships people have developed with each other through a history of interactions (Granovetter 1992). This concept focuses on the particular relations people have, such as respect and friendship, that influence their behaviour" (Nahapiet & Ghoshal 1998, p.244). They further explained that people could be motivated to achieve sociability, approval, and appreciation through these developing personal relationships (Nahapiet & Ghoshal 1998).

Tsai and Ghoshal (1998) described the relational dimension of social capital as follows: The relational dimension of social capital means assets embedded in personal relationships, such as trust and trustworthiness. Trust can function as a governance mechanism for relationships by facilitating cooperation among members. Trustworthiness is more individual-oriented. A trustworthy member is likely to get more support from other members than an untrustworthy member.

Nahapiet and Ghoshal (1998) explored personal relationships within a social network. In the case of two members in the same type of position, and in similar personal relationships, they may differ in their attitudes to their group. The member who has strong relationships with other members may not move to another company despite being offered a better salary. Another member without no such strong relationships may change careers easily (Nahapiet & Ghoshal 1998).

In this regard, both Nahapiet and Ghoshal (1998) and Tsai and Ghoshal (1998) used the concept of the relational dimension of social capital to refer to the assets created and leveraged through relationships and trustworthiness. Nahapiet and Ghoshal (1998) suggested that the relational dimension of social capital affects the conditions for the exchange and combination of existing intellectual resources in many ways. “These are access to parties for exchange, anticipation of value through exchange and combination, and the motivation of parties to engage in knowledge creation through exchange and combination” (Nahapiet & Ghoshal 1988, p.254). Through such knowledge transfer and exchange, the involved members are likely to communicate more frequently and frankly, which will facilitate collaboration among them (Weber, Wallace, & Tuschke 2013, 2014).

Drawing from the above discussion, this study will focus on the trust and trustworthiness within a relationship as the relational dimension of social capital.

3.3.3 Cognitive Dimension

Nahapiet and Ghoshal (1998) called the third dimension of social capital the cognitive dimension. It provides a common understanding and shared narrative in the organisation. “Cognitive dimension is embodied in attributes like a shared code or a shared paradigm that facilitates a common understanding of collective goals and proper ways of acting in a social system” (Tsai & Ghoshal 1998, p.465). Nahapiet and Ghoshal (1998) explained that the cognitive dimension is an important element of social capital as a strategic

resource in an organisation. However, many earlier scholars have not paid much attention to it. Nahapiet and Ghoshal (1998) further explained that a cognitive dimension of social capital is important in intellectual capital because of its aspect as a shared language and paradigm.

According to Tsai and Ghoshal (1998), the cognitive dimension of social capital can be used as resource for the organisation. The cognitive dimension also has a feature of public good such as platform of shared paradigm. Inside an organisation, especially a complicated and large organisation, a set of common values and a shared vision help to encourage the cognitive dimension of social capital, which in turn reinforces individual and group actions to the benefit of the whole organisation.

Having a shared language and narrative allows group members to integrate knowledge more easily and provide better support for one another (Klimoski & Mohammed 1994; Nahapiet & Ghoshal 1998). A common perspective and understanding among team members allows them to anticipate the behaviour of other members, thus promoting efficiencies and effectiveness (Klimoski & Mohammed 1994). Organisation members adopt the languages, codes, values and practices of their organisation through the process of social interaction. Simultaneously these socialised members generate new sets of shared values or visions depending on their common interests and mutual understandings (Tsai & Ghoshal 1998). When it comes to a multi-unit organisation, different units have different goals, and each unit tries to meet its unit's interests; however, the individuals inside a unit share a collective direction in pursuing these common goals and values. Such a collective direction forms the vision of a unit (Tsai & Ghoshal 1998).

In line with the above discussion, we define the cognitive dimension of social capital as being the shared goals, values, and cognitions between the partners.

3.3.4 Relationship between the Relational and the Cognitive Dimension

Tsai and Ghoshal (1998) also studied the relationship between the relational and cognitive dimension. They suggested the possibility that common values and a shared vision are the major attributes of the cognitive dimension of social capital, that facilitate trusting relationships, as the relational dimension of social capital (Tsai & Ghoshal 1998). Trust among members as a relational dimension of social capital may result in the development of common goals, as a cognitive dimension of social capital, through frequent and frank

communication among members. These common values and beliefs may inhibit other members from opportunistic behaviour and generate a trusting relationship. “With collective goals and values, organisation members are inclined to trust one another, as they can expect that they all work for collective goals and will not be hurt by any other member's pursuit of self-interest” (Tsai & Ghoshal 1998, p.466).

Tsai and Ghoshal (1998) concluded that the cognitive dimension of social capital has a positive effect on the relational dimension of social capital.

3.3.5 Social Capital, Knowledge Transfer, and the Sogoshosha's Core Competence

“In the media world, an “exclusive” story loses its value once it is made public. However, the specific information offered by the Sogoshosha is not simply transmitted from one individual to another individual” (Kawamura et al. 2001, p.34), such as a buyer, seller, financial partner, logistic partner or joint venture partner, as well as their colleagues. A trusting relationship is developed through a process of information exchange and exchange with others (Kawamura et al. 2001). It creates further information networks for the Sogoshosha.

In this researcher's long experience as an employee of Marubeni Corporation, this is illustrated by the Sogoshosha's employees' hard work to spread their current network boundaries and to develop new networked-relationships with other relevant partners. Within this process, at the individual level, the Sogoshosha engage in exchanging information and views with partners based on mutual trust, friendship, and goodwill. Consequently, the Sogoshosha's employees will acquire valuable specific information, both domestically and internationally, through these described continuous transactions (Kawamura et al. 2001).

The Sogoshosha have established and maintained hundreds of overseas branches by, largely, investing in human resources and at considerable expense. These bases have kept hundreds, or sometimes thousands, of employees and their families in total. They also employ more than three times the number of local staff than many other Japanese operations (Kawamura et al. 2001) (see Appendix 2.1). The Sogoshosha not only aim to acquire local resources and materials or to export local products to the Japanese market, but they also establish intimate contact with influential individuals, entities, and

organisations with the aim of conducting valuable informational activities that can be the trigger for new exchanges and business creation (Kawamura et al. 2001).

In establishing diversified business portfolios, the Sogoshosha have made themselves the hubs in large business networks, controlling complex flows of resources. For example, in one infrastructure investment project, they organised a consortium of several Japanese plant manufacturers and foreign governmental partners, while simultaneously taking out long-term loans from Japanese governmental financial institutions, with specialised insurance packages, in the case of incidents, as well as arranging the logistics for the transportation of this project (Kawamura et al. 2001).

At various times the Sogoshosha have acted: as commission agents, importing and exporting on behalf of clients and dealers, trading in their own right. They have been intermediaries, in transactions between members of a keiretsu network, as financiers, lending money to smaller keiretsu members; and as facilitators and intermediators, negotiating with foreign partners. More recently, they have also been investment trust managers, venture capitalists, and business consultants (The Economist 1995). The Sogoshosha can be information intermediators, facilitating the production of sellers and the sales of buyers through information exchange, while adding value to information and reducing information gathering cost (Jun 2009).

“The biggest reason for creating intelligence platforms is that they will give the Sogoshosha the opportunity to step out of their supporting roles and take leading roles” (Kawamura et al. 2001, p.43) in the relationship with their business partners. The Sogoshosha are able to create new business breakthroughs by combining their current internal resources with external managerial resources and external knowledge, in an aggressive and integral way (Kawamura et al. 2001).

The managers throughout a firm can play pivotal roles in shaping the firm's entrepreneurial orientation, by sharing their function-specific knowledge with colleagues who reside in other areas of the organisation (Grant 1996; Luca & Atuahene-Gima 2007; Szulanski 1996). In this regard, organisational social capital is an instrumental enabling factor for cross-functional knowledge sharing (Leanna & Van Buren 1999; Tsai & Ghoshal 1998). Tsai and Ghoshal (1998) empirically examined Nahapiet and Ghoshal's (1998) argument and found that the relational and cognitive dimensions of social capital

are strongly associated with resource exchange and combination inside a firm. Inkpen and Tsang (2005) investigated the relationship between each dimension of social capital, and the knowledge transfer between network members. They linked these social capital dimensions to the conditions that facilitate knowledge transfer. As a result, they concluded that the conditions that promote knowledge transfer vary across networks.

This leads to the conclusion that social capital, such as personal networks of contacts supported by mutual trust, friendship, and shared vision, are helpful for information exchange and the creation of intelligence platforms that access new sources of knowledge and combine external and internal managerial resources.

Trust and trustworthiness, as a relational dimension of social capital, may enhance the exchange and combination of intellectual resources for the Sogoshosha in many ways. From the perspective of trust and trustworthiness, this researcher will investigate the functional relationship between social capital and knowledge transfer, as one of the sources of the Sogoshosha's core competence.

The shared goals, values, and understandings between the partners of the cognitive dimension have been shown to facilitate the integration of knowledge transfer among employees of the Sogoshosha, which can benefit the whole organisation, even if an organisation is widely and globally diversified (Tsai & Ghoshal 1998). These knowledge transactions, coming from social capital, can be the trigger for new business exchange and creation as the facilitator of the Sogoshosha's core competence, strategic flexibility.

More concretely, the researcher assumes that the three previously discussed constituents of the Sogoshosha's core competence, strategic flexibility – a global network, diversified business, and long history – are supported by managing good and close social relationships with their internal partners, who belong to the same company or group of companies, and their external partners with an independent status, while offering harmony, teamwork and new knowledge to their organisation. It is one of the significant resources of their core competence. For this reason, the internal and external partner networks will be used as the entry point for the investigation into social capital and the latent variable for the two dimensions of social capital in this research.

3.3.6 Internal and External Partners for the Sogoshosha

With their diversified and global business portfolios, the Sogoshosha are at the centre of business networks (Kawamura et al. 2001). As concerns the selection of the corresponding measurements of the Sogoshosha that are involved in such wide industries, for every kind of transaction, this research divides their societal relationships into those with internal partners and those with external partners.

The internal partners of the Sogoshosha are individuals belonging to the same company or group of companies. They may be in the same or other departments. Employees of domestic and foreign branches or subsidiaries also fall into this category. Someone whose origin is in the same company but who works for a joint venture company or another institution, on a temporary basis, is also an internal partner. Any other individuals, who have business relationships with the Sogoshosha's employees, are categorised as external partners, including buyers, sellers, financial institutes, logistics partners, governmental organisations, contracted auditors and lawyers, joint venture partners, etc.

The Sogoshosha's internal and external partners are widely diversified and numerous, therefore, the researcher has assumed five identification clusters for internal partners of the Sogoshosha based on his personal experience as an employee of the Sogoshosha and referencing Goold and Campbell (2003).

According to Goold and Campbell (2003, p.431), "When specifying unit responsibilities, organisation designers seem to face a difficult dilemma between providing too little clarity and providing too much detail". Their solution is to make clear design intentions concerning the basic role of each unit and then to allow the unit managers to take most of the decisions for themselves, on a self-managed basis. Given a clear specification of the purpose of a unit and of the type of relationship that it should have with other units, the unit managers will be able to work out most of the details for themselves. In principle, clarity about unit roles is the fundamental requirement (Goold & Campbell 2003).

Internal partners:

This study defines an internal partner as an individual who works for at least one of the following:

- 1) A business division: its main role is sales and service, for example each division of transportation machinery, food, electric plants, energy, chemicals, textiles, pulp, construction, etc.

- 2) A business support division: its main role is to provide support for a business division through its professional functions, for example each division of human resources, legal, finance, accounts and tax, compliance, secretary, audit, logistics, etc.
- 3) Senior management: a clear role in management, for example, the president and management group (CFO, CEO, etc.)
- 4) A subsidiary company: supporting the business division and business support division in the local and global markets through close communication with local buyers, suppliers, and other relevant parties, for example foreign subsidiaries, domestic subsidiaries, child companies, etc.
- 5) A joint venture company: providing equity profit to headquarters, for example heavily or partially invested joint venture companies in domestic and global markets to which the Sogoshosha assign management level individuals.

The researcher selected five typical categories for external partners, while referencing the study by Todeva (2005). According to Todeva (2005), if we view corporate governance as a mechanism for the allocation of resources in the business and for creating added value, then we need to consider all the relationships between the business agents that are critical in determining their organisational performance. Managers, workers, and all the other actors involved in intra-management and intra-corporate relations need to have a shared goal or vision of the operations and the strategic directions of the firm to improve their organisational performance in the most efficient way.

Relationships with suppliers are critical to achieve superior quality and to retain a preferable position in the product supply. Relationships with governments are critical to the legitimacy of corporate activities and therefore affect the relationships with all the other stakeholders. Even relationships with competitors are important, for determining industry standards and as a form of self-regulation. They help to avoid costly and deadly collisions in the marketplace and closely co-ordinate with the direction of product and process innovation.

External partners:

The definition of the categories of external partners is adjusted to the actual conditions of the Sogoshosha, based on the researcher's personal experience, and is as follows:

- 1) Buyers: spread across a wide range of business fields according to the Sogoshosha's activities, for example manufacturers (purchasers of material), wholesalers, governmental organisations, etc.
- 2) Sellers: the same as for buyers, for example, manufacturers (sellers of products), mining companies, energy institutes, agriculturists, etc.
- 3) Government-related: observe and control regulations, permissions, taxation for imports and exports and support the Sogoshosha in their foreign activities, as the interface to countries, for example the Ministry of Economic Trade and Industry, Ministry of Finance, Ministry of Foreign Affairs, etc.
- 4) Logistics/distribution-related: third-party partners used by the Sogoshosha to organise distribution networks, for example shipping companies, warehouses, transportation companies, forwarders, insurance companies, etc.
- 5) Finance-related: third-party partners used by the Sogoshosha to support and enhance their financial function, for example banks, leasing companies, taxation offices, accounting offices, etc.

This section has defined social capital for this study, and set the two important dimensions of social capital – relational and cognitive – as well as discussed each connection based on Nahapiet and Ghoshal (1998) and Tsai and Ghoshal (1998). It discussed the association between social capital and personal networks as one of the significant resources of the Sogoshosha's core competence and adopted internal and external partnerships as the entrance to the investigation.

In the next section, knowledge transfer is discussed from the viewpoint of its connections to social capital as another important factor of the Sogoshosha's core competence.

3.4 Literature on Knowledge Transfer

Reagans and McEvily (2003) explained knowledge transfer by citing other studies. They defined three points of view, as follows: the association with the network; the relationship between the network of relationships and organisational performance; and the position of business units in the knowledge network:

1) The Association with the Network:

In processes and outcomes, the effective transfer of knowledge associated with organisational and personal networks is important for the improvement of practice (Szulanski 1996), the development of new products (Hansen 1999), and organisational survival (Baum & Ingram 1998). In this regard, organisations are social communities, specialising in efficient knowledge transfer (Kogut & Zander 1996). Effective knowledge transfer may be a source of competitive advantage for an organisation through their internal and external networks that provide it with useful knowledge and technique. Knowledge transfer develops relationships between the networks (Regans & McEvily 2003).

2) The Relationship between the Network of Relationships and Organisational Performance:

Reagans and Zuckerman (2001) investigated knowledge transfer in the relationship between the network of relationships and organisational performance. In their empirical study on corporate R&D, they explained the relationship between knowledge transfer among scientists with a distinct outside network and quality improvement of corporate R&D. Knowledge transfer among scientists, through their non-overlapping external networks, fills in gaps in the team networks. Consequently, the scientists can achieve great creativity and innovation by sharing diverse knowledge from the outside (Regans & McEvily 2003).

3) The Position of Business Units in the Knowledge Network:

Tsai (2001) examined the relationship between the position of a business organisation in the knowledge transfer network and its performance. Tsai pointed out that the most profitable and innovative business groups are at the centre of their intra-firm network. The central unit can maintain complex relationships between other units while increasing its capability to form new intra-firm connections (Regans & McEvily 2003).

“In all three cases, knowledge transfer was assumed to be the causal mechanism linking network structure to performance” (Regans & McEvily 2003, p.241). Regans and McEvily (2003) further explained that each approach has not investigated the path from network relationships to knowledge transfer. In connection with this, they discussed the effect of social cohesion on knowledge transfer by citing relevant research. Hansen (1999)

pointed out that a strong network facilitates complex knowledge transfers while a weak network encourages simple knowledge transfers. Whereas a cohesive and strong network can facilitate complicated knowledge transfer, a wide-ranged network that spreads to multiple communities can also facilitate complex knowledge transfer with diverse members. Network cohesion and range separately, but complementarily, affect knowledge transfer by integrating an organisations' knowledge while expanding its knowledge boundaries (Regans & McEvily 2003).

We see that researchers have explained knowledge transfer as the causal mechanism that associates the network of relationships with organisational performance. They also pointed out that the degree of strength and the range of a network may separately, but complementarily, affect knowledge transfer.

As defined earlier, social capital is the sum of the resources embedded within, available through, and derived from the relational network (Nahapiet & Ghoshal 1998). Thus, we can conclude that both knowledge transfer and social capital are strongly related to the network of relationships.

Many researchers focus on receiving and exchanging new knowledge or the extent of knowledge transferred (Perez-Nordvert, Kedia, Datta, & Rasheed 2008). Perez-Nordvert et al. (2008) researched knowledge transfer carefully, identifying four fundamental dimensions: comprehension, usefulness, speed, and economy. Weber and Weber (2011) conducted a qualitative study, of social capital's impact on corporate venture capital (CVC)'s knowledge transfer and innovation performance, by separating knowledge into three kinds of dimensions: know-what, know-how, and know-who. They implied the necessity of research into the connection between intra- and inter-organisational levels.

3.4.1 Knowledge Transfer for the Sogoshosha

One of the important factors that enable the Sogoshosha to have their own core competence is their use of informational economies of scale, i.e., increasing returns from having fully informed decision-making based on, near-complete information about issues. Whether or not it creates profit, information is necessary for every firm in order to survive in a competitive business environment. Information is increasing its presence as one of the major factors that promote the Sogoshosha strength in such an environment (Jun 2009). Through informational economies of scale, a firm can obtain greater returns from that

information than the unit cost of collecting it. Wilson (1974), however, claimed that the value of information might be less than the unit cost invested to collect it, in certain situations. “Most small- and medium-sized enterprises (SMEs), which do not meet a certain threshold level of operation scale, may have difficulty in acquiring necessary information because such information in their position is imperfect”. In such circumstances, the Sogoshosha can be a valuable source of gathering information for SMEs (Jun 2009, p.29).

The Sogoshosha can be seen as information intermediators that act as business agents for their buyers and sellers, with the exchange and utilisation of information, and enhancing the information’s value for their customers, or decreasing the cost of obtaining information for their customers (Jun 2009). Rose (1999) suggested that the main function and purpose of information intermediators is to match the specific information needs of their customers with the information available in an information pool, or any resource. An information intermediary decreases the end user’s search costs for the necessary information, such as the costs of communication and contact, the evaluation costs, and, particularly, the costs of time spent.

In the same way as manufacturers use their funds for R&D, to create new products or to improve the quality of existing products in order to ensure the sustainability of their organisation, it is essential for the Sogoshosha to invest funds in their human resources, as valuable information transactions are one of their main sources of core competence. Although highly complex, one of the main functions of the Sogoshosha involves information collection and analysis. The Sogoshosha gather not only the essential information, related to the market including market tendencies, the activities of competitors, their market share, and customer preferences, but also broader and non-numerical information that is relevant to political issues, economic issues, society, and history (Yamaji 1991). They usually collect information through their daily intra-firm contact channels, worldwide networks, publications, broadcasting, public meetings, etc. The Sogoshosha additionally gather what could be called ‘human specific knowledge’ (Kojima & Ozawa 1984) in the form of the expertise of individual employees.

It is undeniable that information is available not only through the media such as newspapers, television, and magazines. The “general information” available to the public is meaningful for business; however, “specific information” is more important. Specific

information is generated in the process of individual human interactions. As a managerial resource, this type of information represents an important key factor of the strength of the Sogoshosha (Kawamura et al. 2001, p.34).

It can be concluded that useful information, including the specific information that individual units of information create in the process of human interaction, is an important element for the Sogoshosha as intermediaries, and in this respect knowledge transfer is a valuable source of their core competence.

In the next section, organisational ambidexterity is described as another source of the Sogoshosha's core competence.

3.5 Literature on Organisational Ambidexterity

3.5.1 Introduction to Organisational Ambidexterity

Organisational ambidexterity means an organisation's ability to execute two opposing goals simultaneously (Gibson & Birkinshaw 2004). According to Gibson and Birkinshaw, there are many kinds of patterns for these two disparate pairs, in the study of organisational ambidexterity. Some examples are manufacturing efficiency and flexibility (Adler, Goldoftas, & Levine 1999; Carlsson 1989), cost leadership and differentiation strategy (Porter 1985, 1996), local responsibility and global network expansion (Bartlett & Ghoshal 1989), etc. "More specifically, the ambidextrous organisation achieves alignment in its current operations while also adapting effectively to changing environmental demands" (Gibson & Birkinshaw 2004, p.210). The simultaneous achievement of any two opposing activities, as suggested above, can be a central element for an organisation's survival in a rapidly changing environment (Gibson & Birkinshaw 2004).

In line with the above studies, we can say that the Sogoshosha are ambidextrous organisations in their simultaneous achievements of their business activities. For instance, they pursue two disparate goals, such as global investment and localisation in their operations, while balancing these dual and opposite aspects with fruitful results.

On the other hand, we have discussed social capital and partnership as other important factors in the Sogoshosha's core competence. Thus, we can also see some connection between social capital and organisational ambidexterity.

Tsai and Ghoshal (1998) reasoned that each dimension of social capital is fundamentally associated with resource exchange, which, therefore, significantly affects product innovation. Conversely, researchers have pointed out the negative consequences of social capital. For example, Nahapiet and Ghoshal (1998) suggested that certain norms for the cognitive dimension of social capital are opposed to resource exchange and cooperation. "Organisations high in social capital may become ossified through their relatively restricted access to diverse sources of ideas and information" (Nahapiet & Ghoshal 1998, p.260). Nahapiet and Ghoshal (1998) also highlight that the constant balancing of positive and negative aspects of social capital is a key factor for a successful organisation.

In an extreme case, organisational social capital can be potentially costly, as well as restricting the fusion of new ideas and innovation (Nahapiet & Ghoshal 1998). According to Leana and Van Buren (1999), individuals are socialised in the norms, values, and ways of working inherent to the work group and the organisation. "Such organisational process can be expensive for both financial resources and managerial commitment and represent significant opportunity costs that should be evaluated in terms of the intended benefits" (Dess & Shaw 2001, p.454). Adler and Kwon (2002) studied the benefits and risks obtained from social capital and their balance. They concluded that social capital's ultimate value depends on several moderating contingency factors, such as "the task and symbolic demands placed on the focal actor and the availability of complementary resources" (p.32). Research into social capital's benefits, risks, balance, and the determining factors of its positive and negative aspects will be highly required in the future for this academic field (Adler & Kwon 2002).

The inflexible and ossified characteristics of social capital engender its negative aspects. Several studies on organisational ambidexterity have explained these negative aspects through exploitative dimensions and have asserted that the remedy is to balance the exploitative and explorative dimensions. Whereas exploitation is related to activities such as refinement and implementation, exploration is concerned with activities such as experimentation and discovery (March 1991). Firms specialising in exploitation can gain benefits, within a predictable range, however, they may suffer from obsolescence

rendering them inflexible to environmental changes. On the contrary, firms specialising in exploration can earn huge profits, although they may suffer from no return when they fall into a downward cycle of investment and failure (Raisch & Birkinshaw 2008). Raisch and Birkinshaw (2008, p.392) concluded that a “firm’s ability to compete successfully in the long run may thus be rooted in an ability to jointly pursue exploitation and exploration”. The simultaneous achievement of two goal sets; exploiting current competences and exploring new ones, will be a key factor in long-term successful performance of firms, and is strongly associated with a firm’s dynamic capabilities. Organisational ambidexterity may facilitate a firm’s performance level as well as a benefit from social capital (Raisch & Birkinshaw 2008).

In the above discussion, the Sogoshosha are understood as ambidextrous organisations because of their ability to balance two disparate elements, exploitation and exploration, such as maintaining dominant businesses while creating new businesses, in a balanced way. In highly volatile economic conditions, the Sogoshosha have kept a dominant presence in the world economy with their global, complex, and diversified functions and activities by simultaneously pursuing high levels of exploration and exploitation in a balanced manner. At the same time, the Sogoshosha may enjoy the ultimate value of social capital through exchanging information and creating intelligence platforms in their global networks while minimising the negative aspects of social capital as ambidextrous organisations, for instance by constantly balancing potentially opposing forces, which may lead to their core competence as a result.

3.5.2 Organisational Ambidexterity in this Study

As previously discussed, exploitation and exploration are two fundamentally opposing things for firms. Therefore, firms may need different basic organisational structures and strategies for each goal. For that reason, some researchers have explained that there is a trade-off between exploitation and exploration inside firms (Raisch & Birkinshaw 2008).

Organisations need to ease the internal tensions and conflicting demands in their business environments to become ambidextrous. Previous studies have frequently indicated that these trade-offs are hard to manage and have found that balancing these conflicting demands is a difficult task. However, recent research has described ambidextrous organisations as those that are able to exploit existing competences and explore new opportunities simultaneously. Gibson and Birkinshaw (2004) suggested that an

ambidextrous organisation might enjoy prominent performance by achieving efficiency in their stable market domain while flexibly adapting themselves to environmental changes. They concluded that organisational ambidexterity is “an organisation’s capacity to simultaneously achieve alignment and adaptability within a single business unit” (Gibson & Birkinshaw 2004, p.211). This can be achieved through individuals’ judgement about their resource allocation when confronting demands such as alignment and adaptability, and supported by their organisation’s understanding (Gibson & Birkinshaw 2004).

In light of the above research, this study will treat organisational ambidexterity as a firm’s ability to pursue two disparate goals simultaneously, and in a balanced manner. With regard to the main constructs of organisational ambidexterity, this research selects exploiting/alignment, exploring/adaptability, and balancing and switching between exploiting and exploring, in accordance with the studies by Kauppila (2010) and Raisch and Birkinshaw (2008).

There are three main research streams of organisational ambidexterity that focus on how organisations balance and synchronise exploitative and exploratory activities. Raisch and Birkinshaw (2008) stated that there are three broad approaches that enable an organisation to be ambidextrous. Structural approaches mean that two activities are executed in different organisational departments; contextual approaches propose that two activities are implemented in the same department; and leadership approaches are based on the assumption that the top management team helps ease and react to the tensions between the two opposing activities.

3.5.3 Three Approaches to Organisational Ambidexterity

Raisch and Birkinshaw (2008) laid out three approaches to organisational ambidexterity as follows:

1) Structural approach:

Exploitation and exploration are competing demands for an organisation; therefore, distinctive organisational strategies are required. In order to achieve ambidexterity, the development of a structural mechanism is necessary for the organisation to manage opposite goals. Many researchers explain that spatial separation is needed at the business unit or company level. Separate units execute exploitation or exploration activities, and

through the combination of these units, a company can achieve organisational ambidexterity as a whole (Raisch & Birkinshaw 2008).

2) Contextual approach:

This approach assumes that organisational ambidexterity is achieved through the simultaneous demonstration of exploitation and exploration, not by the combination of several separate business units, but by an entire business unit (Gibson & Birkinshaw 2004). All individuals in the unit are presumed to be able to make a judgement for themselves, as to the best allocation of their time and resources to manage both exploitation and exploration in a balanced way (Raisch & Birkinshaw 2008).

3) Leadership approach:

This approach explains that the leadership of a management team facilitates organisational ambidexterity. Top management can optimise the role of each unit for their organisational ambidexterity. They may set up an appropriate environment where all individuals can allocate their resources more flexibly through transactions between themselves. Leadership can support both structural and contextual ambidexterity (Raisch & Birkinshaw 2008).

As already stated, the Sogoshosha are huge wholesale intermediaries that supply a wide range of products and deliver them to many outlets both domestically and globally, with a variety of functions. However, the Sogoshosha conduct all their business across an entire business unit, without spatial separation. In the rapidly changing economic environment, the employees of the Sogoshosha are requested to make business issue decisions immediately and without consultation with their management team, i.e. based on their own leadership. Thus, the contextual approach is suitable for investigating organisational ambidexterity in the Sogoshosha.

3.5.4 Contextual Approach

Raisch and Birkinshaw (2008) explained the contextual approach by citing the work of other researchers in their study on organisational ambidexterity as follows:

The contextual approach indicates that organisational ambidexterity is achieved through the simultaneous execution of two opposing goal not by the combination of several separate business units, but at an entire business unit (Gibson & Birkinshaw 2004). Top

management should develop supportive conditions for all individuals to determine their best resource mix by themselves, for the simultaneous achievement of conflicting goals at each unit, not binding several units corresponding to different demands (Raisch & Birkinshaw 2008). Context includes the organisational systems, processes, and beliefs that affect the behaviour of employees (Ghoshal & Bartlett 1994). This context should be supportive for all individuals to determine their own resource allocation for themselves (Raisch & Birkinshaw 2008).

There were various other topics of discussion raised, as the concept of contextual ambidexterity was developed, such as job enrichment and empowerment; top management involvement to create better context for ambidexterity; and developing a shared vision (Gibson & Birkinshaw 2004). Gibson and Birkinshaw (2004) discussed that contextual ambidexterity could be developed by a combination of four drivers: stretch, discipline, support, and trust. They further explained these drivers as follows:

Stretch:

Organisational members can be more aggressive in the achievement of high-level goals if their voluntary endeavours are encouraged in a stretch context. A shared vision, collective goals, and common values will reinforce personal action to the benefits of the whole organisation, which consequently contributes to the development of stretch (Gibson & Birkinshaw 2004).

Discipline:

Organisational members are expected to try to meet all of their commitments; this is facilitated by a discipline context. Clear goal setting as an expected performance in an open and transparent system, followed by rapid and fair evaluation that occasionally includes a penalty, contributes to the development of discipline (Gibson & Birkinshaw 2004).

Support:

An organisation's members assist each other and care for other members; this is encouraged by a support context. Membership that allows one member to access the resources of another member, to have frank communications with other members without distinction, and to get guidance or help from senior authorities contributes to the establishment of support (Gibson & Birkinshaw 2004).

Trust:

Trust between organisational members facilitates members' reliance on their commitment to each other. Involving members in business decision-making processes or sharing relevant information with them and giving proper status equivalent to the member's capabilities contributes to the establishment of trust (Gibson & Birkinshaw 2004).

Gibson and Birkinshaw (2004) suggested that, in their organisational context, successful organisations are expected to balance soft elements (support and trust) and hard elements (discipline and stretch). In an analysis of data collected from 41 business units, they found that "achieving ambidexterity through contextual support is possible and does relate positively to performance" (Gibson & Birkinshaw 2004, p.222).

Raisch and Birkinshaw (2008) reviewed various literature streams of organisational ambidexterity and developed a comprehensive model. They covered research regarding the antecedents, moderators, and outcomes of organisational ambidexterity. They indicated gaps among different research domains and pointed out the direction for future research. In their opinion, a great number of studies have concentrated on the structural approach and the impact of ambidexterity on organisational performance. Research using other approaches or studies of more complicated relationships affected by additional variables are rarer. Studies about contextual ambidexterity also remain scarce. The contextual ambidexterity approach is based on an individual's ability to exploit and explore. Mom, Van Den Bosch, and Volberda (2007) pointed out the necessity of more research into ambidexterity at an individual level. Raisch and Birkinshaw (2008) stated that the current argument is mostly dedicated to questions of organisational design and leadership without strong attention to the strategic elements.

3.5.5 Organisational Ambidexterity for the Sogoshosha

We conclude that the Sogoshosha are ambidextrous organisations because of their ability to balance disparate actions. In highly volatile economic conditions, organisational ambidexterity is one of the most significant resources of the Sogoshosha, which enables them to operate their global, complicated, diversified functions, and activities flexibly by simultaneously pursuing high levels of exploration and exploitation in a balanced manner. The three important elements of organisational ambidexterity for the Sogoshosha are exploiting/alignment, exploring/adaptability, and balancing and switching between

exploiting and exploring, according to the studies by Kauppila (2010) and Raisch and Birkinshaw (2008).

At the same time, the Sogoshosha may enjoy the ultimate value of social capital, the exchange of information, and the creation of intelligence platforms in their global network, by minimising the negative aspects of social capital through their organisational ambidexterity. Because of their specific business characteristics, as outlined earlier, the contextual approach to organisational ambidexterity seems to be a fitting model. The Sogoshosha are expected to balance the hard elements (discipline and stretch) and the soft elements (support and trust) of their organisation (Gibson & Birkinshaw 2004).

It is assumed that the Sogoshosha employees make a great deal of effort to complete all their commitments, for example, budget (discipline), while they are ambitious in their objectives, such as aggressive goal setting (stretch). In other dimensions, the Sogoshosha employees support each other in accessing the company's resources through information and knowledge sharing (support) while relying on each other's commitment (trust).

According to Kawamura et al., (2001), while human resources, networks, and information (social capital and knowledge transfer) are the foundation of the Sogoshosha's activities, the "Sogoshosha have also been very aware of the value of credibility, technology, time, and scale as managerial resources" (p.32). The suitable mix of these bases (organisational ambidexterity) has enabled the Sogoshosha to develop a great deal of diversified businesses, successfully in rapidly changing business circumstances on a global level (Kawamura et al. 2001).

Raisch et al. (2009, pp.692, 693) summarised organisational ambidexterity as follows:

- 1) Ambidexterity requires active management of the tensions between differentiation and integration.
- 2) Ambidexterity results from, and manifests itself at, both individual and organisational levels.
- 3) Ambidexterity is the outcome of a dynamic process that involves both the simultaneous and the subsequent attention to exploitation and exploration.

- 4) Ambidexterity depends on the ability to integrate internal and external knowledge bases for synergistic benefits.

Raisch et al. (2009) also pointed out the necessity of studying organisational ambidexterity from the perspective of social networks in future investigation. They suggested that internal and external social networks, as well as strong and bridging relationships could facilitate ambidexterity.

In light of the aforementioned discussions, the researcher has assumed that the above appropriate combinations of each management element have been created by the Sogoshosha's organisational ambidexterity and that organisational ambidexterity is one of the significant resources of the Sogoshosha's core competence, and which is associated with the other resources of core competence: social capital and knowledge transfer.

3.6 Summary

Although there are many studies of the Sogoshosha that focus on a general view, for example their definition, function, business history, etc., this research takes a specifically academic option. It chooses to study the Sogoshosha's core competence from the viewpoint of its organisational aspects such as social capital, knowledge transfer, and organisational ambidexterity, and benefitting from the researcher's status as an active Japanese employee in the Sogoshosha.

After reviewing the arguments of previous researchers, the researcher has concluded that core competences are the corporation's fundamental strengths, skills and knowledge shared across business unit (Javidan1998), and strategic platform (Unland & Kleiner 1996). They involve many levels of people and all functions (Prahalad & Hamel 1990).

Furthermore, this research defined "strategic flexibility" as the Sogoshosha's core competence (JTFC 2015). With reference to the previous research on the Sogoshosha (JTFC 2015; Kawamura et al. 2000; Larke & Davies 2007; Tanaka 2005; Yoshino & Lifson 1986) and the researcher's own experience of working in the Sogoshosha. The drivers of the Sogoshosha's core competence were summarised as 1) their global network, 2) their diversified business, and 3) their long history.

This chapter also investigated social capital and knowledge transfer as the significant factors for the Sogoshosha's core competence. These resources are fundamental for the Sogoshosha's huge, varied, and global operations and activities. The global and close networks that are created by their internal and external partners are especially valuable resources for the Sogoshosha as well as offering knowledge transfer, which accumulates knowledge and assimilates it into new knowledge. We also discussed organisational ambidexterity as another important factor of the Sogoshosha's core competence.

The researcher concludes that the contextual approach to organisational ambidexterity is the most fitting one for the Sogoshosha research model. This approach is also associated with the relational dimension and the cognitive dimension of social capital in the context of stretch, discipline, support, and trust to facilitate contextual ambidexterity. Thus, this research investigates the Sogoshosha's core competence from the aspects of social capital, knowledge transfer, and organisational ambidexterity, as well as examining the connections between each factor.

In the next chapter, we investigate the connection of the latent variables, as discussed in this chapter: social capital, knowledge transfer, organisational ambidexterity, and the Sogoshosha's core competence, while generating research questions, research hypotheses, and explaining the research structure.

Chapter 4. Research Hypotheses

4.1 Research Aim and Questions

As discussed in chapter 2, the Sogoshosha have managed to maintain and enhance their broad range of functions globally and have shown a dominant presence in world business with their own core competence under rapidly changing circumstances. However, due to the lack of specific academic research on the Sogoshosha, little is known about how and why they operate as unparalleled entities in the world (Masaoka 2006).

The aim of this research is to explore the dominant presence of the Sogoshosha in the global economy and, more specifically, the impact of internal and external partner networks on the Sogoshosha's social capital and its contributions to the Sogoshosha's core competence, knowledge transfer, and organisational ambidexterity.

This study can substantially benefit not only the employees of the Sogoshosha but also Asian business people, engaged in trading activities. A better understanding of the Sogoshosha's core competence from organisational aspects such as social capital, knowledge transfer, and organisational ambidexterity may lead them to understand their own company operations and performances better. In order to make this contribution possible, the researcher devised the following research questions and defined suitable methods to answer them.

Q1: How have the Sogoshosha developed their diversified businesses and maintained their incumbent businesses in a well-balanced manner, based on their global and widespread business network in the rapidly changing business circumstances?

The researcher conducted an analysis of the relationship between social capital and organisational ambidexterity of the Sogoshosha in order to answer this question.

Q2: How have the network and partner relationships of the Sogoshosha affected their business communications in the achievement of their global and diversified business operation?

The researcher conducted an analysis of the relationship between social capital and knowledge transfer for the Sogoshosha in order to answer this question.

Q3: How have the Sogoshosha's business communication and knowledge affected their diversified business development and their incumbent business maintenance simultaneously in a rapidly changing business circumstances?

The researcher carried out an analysis of the relationship between knowledge transfer and organisational ambidexterity in the Sogoshosha in order to answer this question.

Q4: How have the Sogoshosha generated and maintained their strategic flexibility, as their fundamental strength in their diversified and global functions, through their new business development and their incumbent business maintenance in a balanced way?

The researcher conducted an analysis of the relationship between organisational ambidexterity and the Sogoshosha's core competence in order to answer this question.

In the following sections, we approach each question by investigating the corresponding relationship between these latent variables.

4.2 Social Capital and Organisational Ambidexterity for the Sogoshosha

Social networks are recognised as channels for information and resource flows, and members can access the resources of other members through these social interactions. According to Kanter (1988), such access “allows innovators to go across formal lines and levels in the organisation to find what they need” (p.190). Social interactions between the different business units of firms obscure the thresholds of those units and nurture their common sets of goals and values, while sharing them among an organisation's members (Tsai & Ghoshal 1998). Through its social network, a business unit can gain more chances to exchange or combine its resources with other units. For complex multi-unit organisations, both intra-organisational transactions and internal communication are important in order to develop and transmit innovations (Tsai & Ghoshal 1998). The focal person in a social network interaction presumably has more potential to exchange and combine resources with other members and may create simultaneous exploitation and exploration in a balanced manner that yields positive organisational performance (Tsai & Ghoshal 1998). The individual employees of the Sogoshosha generate social network diversity through their transactions with their internal partners and external partners.

We postulate that social capital is positively related to the exploitative, explorative, and balancing dimensions of organisational ambidexterity for the Sogoshosha. In the following subsections, we will further discuss the relationships between each dimension of social capital and organisational ambidexterity.

4.2.1 Relational Dimension: Trust and Trustworthiness

Tsai and Ghoshal (1998) explained trust and trustworthiness in the relational dimension of social capital. Trust generates cooperation among the members of an organisation. This cooperation mind-set reduces the fear that a member may undertake opportunistic behaviour against other members. Members in trusting relationships are likely to communicate more frankly with each other while sharing and exchanging their resources and information with other members who are in a cooperative mind-set. Therefore, trust can facilitate the exchange and combination of resources and information through cooperation (Tsai & Ghoshal 1998).

Since trust encourages members to rely on their commitment to each other, when trusting relationships develop within a network the members establish a reputation for trustworthiness that encourages other members to exchange important information in the network. “It is reasonable, therefore, to expect that a more trustworthy actor is more likely to be a popular exchange partner for other actors in the network” (Tsai & Ghoshal 1998, p.467). In his case study, Kauppila (2010) concluded the following: coordinating exploitative relationships can be described as contract-based. These relationships are highly efficient and eminently reliable. Most of these relationships are established by a contract with their business partner. In contrast with exploitative relationships, the cohesive attributes of explorative relationships are based on trust and respect (Kauppila 2010). Strong networks in strategic explorative partnerships develop trust and reduce opportunism, thus facilitating integration and knowledge sharing (Ahuja 2000).

Trust and trustworthiness expand the networks of the Sogoshosha while developing explorative relationships with their internal and external partners, which brings important information to the Sogoshosha and triggers new business for them.

In agreement with above discussion, the relational dimension of social capital is positively related to the explorative dimension of organisational ambidexterity for the Sogoshosha.

4.2.2 Cognitive Dimension: Shared Vision

Tsai and Ghoshal (1998) further discussed the shared vision and common goals of cognitive dimension of social capital. When organisation members observe common rules to communicate with each other, misunderstandings among members are less likely to occur, and they may be able to exchange their information and resources more openly in their communications. Having common goals and interests means organisation members can understand the potential value of their resources after effective exchanges and combinations of them. Consequently, organisational members who share a common goal and vision are more aggressive about sharing and exchanging their resources and information, for further success (Tsai & Ghoshal 1998). Shared vision and common goals may help loosely coupled units or employees to integrate into an entire organisation. “We can thus view a shared vision as a bonding mechanism that helps different parts of an organisation to integrate or to combine resources” (Tsai & Ghoshal 1998, p.467).

As Kauppila (2010) suggested, the improvement of collaboration and shared perceptions between the functions facilitates the switch from exploration to exploitation of organisational ambidexterity.

Shared visions, values, and cognitions are important factors for the Sogoshosha in operating their global business organisation efficiently and effectively. They may to integrate the whole organisation of the Sogoshosha exploitatively while developing new explorative practical business opportunities in a well-balanced manner, and based on the same vision and values. Therefore, the cognitive dimension of social capital is positively related to the balancing effect between the exploitation and the exploration components of organisational ambidexterity for the Sogoshosha.

The above discussions, in each subsection, indicate a positive relationship between social capital and organisational ambidexterity for the Sogoshosha from the lower-order individual relationships between each dimension of these latent variables. Thus, the researcher hypothesises:

Hypothesis H1. Social capital is positively related to organisational ambidexterity for the Sogoshosha.

This hypothesis corresponds to research question *Q1* in section 4.1.

4.3 Knowledge Transfer and Social Capital for the Sogoshosha

Several studies have suggested a relationship between social capital and knowledge transfer. Nahapiet and Ghoshal (1998) proposed that social capital has an important effect on knowledge sharing and consequently generates superior performance. Tsai and Ghoshal (1998) tested these properties empirically, at the firm level, and found a significant relationship between them; however, their study failed to expand their model to include other types of innovation in social capital (Gooderham 2007). “The “collaborative context” that provides opportunities and motivation for individuals to exchange knowledge despite physical distance, has found further coherence through the development and application of social capital theory” (Gooderham, Minbaeva, & Pedersen 2011, p.6).

Gooderham et al. (2011) linked social capital approaches to knowledge transfer by identifying the knowledge governance mechanisms. “Identifying governance mechanisms that managers can deploy to promote the development of social capital. In order to achieve this objective, insights from the micro-level, knowledge governance approach are combined with theory on the determinants of social capital” (p.2). The knowledge governance mechanisms that affect knowledge transfer are the market-based mechanism, hierarchical mechanism, and social mechanism. In their study, Gooderham et al. (2011) confirmed that social capital has a positive impact on knowledge transfer. They implied that the goodwill that makes organisational resources available for individual use (i.e. the core intuition of social capital) is substantially significant for the transfer of knowledge.

Inkpen and Tsang (2005) argued, “access to new sources of knowledge is one of the most important direct benefits of social capital” (p.146) and concluded “for effective and efficient knowledge transfer to occur, firms may have to manage and build social capital proactively” (p.160).

In their qualitative study based on unexplored examples of corporate venture capital (CVC) units, Weber and Weber (2011) investigated the relationship between social capital and CVC unit’s knowledge transfer as well as innovation performance. In the study, they separated knowledge into three different types: know-what, know-how, and

know-who. They concluded that CVC managers who bridge the intra- and inter-organisational clusters in the network configuration could often usefully promote the recognition and implementation of the necessary network transformation processes, which have a positive impact on knowledge transfer and the generation of innovation. They suggested the necessity of conducting research on the connection between intra- and inter-organisational levels beyond the above CVC case. In this regard, it may be justified to investigate the relationship between internal and external partnerships and knowledge transfer for the Sogoshosha in this research.

The Sogoshosha are constantly engaged in knowledge transfer through the regular inter- and intra-firm communication channels of their global network, which is an essential factor for the maintenance of their core business and the identification of new business opportunities. In the process of expanding their horizons and creating a personal network of contacts, the Sogoshosha engage in exchanges of information and views with partners based on friendship, goodwill, and mutual trust, which leads to the acquisition of valuable specific information (Kawamura et al. 2001). In the light of this argument, social capital, trust, trustworthiness, and a shared vision have a positive effect on knowledge transfer for the Sogoshosha, and the following hypothesis reflects this:

Hypothesis H2. Social capital is positively related to knowledge transfer for the Sogoshosha.

This hypothesis corresponds to research question *Q2* in section 4.1.

4.4 Knowledge Transfer and Organisational Ambidexterity for the Sogoshosha

Mom et al. (2007) investigated the relationship between managers' knowledge inflows and their explorative and exploitative activities. According to the results of their investigation, they postulated that managers' top-down knowledge inflows have a positive effect on their exploitative activities, whereas these knowledge inflows have no strong effect on their explorative activities. They further claimed that managers' bottom-up and personal knowledge inflows have a positive effect on their explorative activities, whereas they have no significant effect on their exploitative activities (Mom et al. 2007).

Mom, Van Den Bosch, and Volberda (2009) furthermore explained the relationship between knowledge transfer and organisational ambidexterity. Managers can develop

their capability to acquire and understand new knowledge in their interactive communications by increasing the density of their personal networks. Their high-density networks reduce unknown and explorative tasks by providing various types of knowledge. Simultaneously, they may increase trust and cooperation within the networks while decreasing opportunistic behaviour from other members. Consequently, they facilitate the exploitation of new knowledge and the implementation of explorative innovations (Mom et al. 2009).

Raisch et al. (2009) concluded that organisational ambidexterity is associated with the ability to integrate internal and external knowledge for synergy. Firms can accumulate their knowledge and use it correctly, through their exploitative capabilities, while they access new knowledge outside of their organisations and combine this with their internal knowledge flexibly by their explorative capabilities. It is necessary to integrate new external knowledge with the current internal knowledge. Individuals with a wide range of internal knowledge, as well as the various external networks used to obtain new knowledge, are likely to execute both exploitative and explorative tasks (Raisch et al. 2009). Therefore, the conclusion is that ambidexterity is associated with a firm's ability to integrate current and new external knowledge based on the combination of its various external networks and internal absorptive capabilities. Ambidexterity may be also strongly related to social networks both internally and externally as well as strong bridging networks (Raisch et al. 2009).

In the highly fluctuating business environment, the Sogoshosha operate their global business with diversified functions while implementing high levels of exploitative and explorative work in a well-balanced way. In this process, the knowledge transfer facilitated by their ability to integrate internal and external knowledge bases across their entire organisation, from executive officers to individual employees, may support their complicated activities by enhancing their learning ability as well as providing information to enable better preparation for coming tasks. Thus:

Hypothesis H3. Knowledge transfer is positively related to organisational ambidexterity for the Sogoshosha.

This hypothesis corresponds to research question *Q3* in section 4.1.

4.5 Organisational Ambidexterity and the Sogoshosha's Core Competence

Tushman and O'Reilly (1996) suggested that superior performance and a successful company are the expected outcome of an ambidextrous organisation and described the structural mechanisms that enable ambidexterity. An ambidextrous organisation's capacity to adapt and align knowledge effectively is considered a valuable, rare and inimitable resource (Simsek 2009). Firms can achieve ambidexterity based on the core of their dynamic capabilities (Lubatkin et al. 2006; He & Wong 2004; Raisch & Birkinshaw 2008; Raisch et al. 2009). Prahalad and Hamel (1990) defined core competences as "the collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies" (p.82). Javidan (1998) further explained that a core competence is a collection of competences, which is the integration of a company's functional capability and resources as building blocks of competences. Under these conditions, organisational ambidexterity seems to be strongly related to resources, capability, competences, and the Sogoshosha's core competence.

Ljungquist (2012) explained that "the exploitation mode of development is advocated for rapid core competence development, though it comes with a small expected market impact; exploration, in contrast, is a slower-moving mode of development yet exerts a larger expected market impact" (p.7). He also attempted to add the ambidexterity concept onto existing core competence studies by investigating the development activities of project teams. He developed a new core competence model to enhance core competence development as the result.

Raisch and Birkinshaw (2008) discussed the idea that "firms' ability to compete successfully in the long run may thus be rooted in an ability to pursue exploitation and exploration jointly. Scholars have long argued that organisational ambidexterity is a key driver of long-term firm performance" (p.392). Floyd and Lane (2000), for instance, suggested that firms must "exploit existing competencies and explore new ones and more importantly, that these two facets of organisational learning are inseparable" (p.155).

The Sogoshosha have maintained their incumbent multi-product business, in the face of challenges, to ensure a stable profit, whereas they have developed new business for market opportunities in a balanced manner with risk minimisation for over 100 years. We

assume that such organisational ambidexterity of the Sogoshosha will facilitate the smooth and flexible use of their various functions.

Based on the preceding arguments, this research postulates that organisational ambidexterity is directly related to the Sogoshosha's core competence. In the next subsections, the relationship between each element of organisational ambidexterity and the Sogoshosha's core competence is discussed.

4.5.1 Exploiting and Exploring Dimension: Alignment and Adaptability

“Increasingly, organizational researchers are using ambidexterity, the ability of humans to use both hands with equal skill, as a metaphor for organizations that are equally dexterous at exploiting and exploring” (Simsek 2009, p.597). Since Duncan's study (1976), the concept of “ambidextrous organisation” has been used to describe a variety of distinctions in organisational behaviour and outcomes.

Gibson and Birkinshaw (2004) noted that ambidextrous organisation increasingly refers to an organisation's ability to perform two different tasks at the same time – for example exploitation and exploration, efficiency and flexibility or alignment and adaptability. “When a supportive organisation context is created, individuals engage in both exploitation-oriented actions (geared toward alignment) and exploration-oriented actions (geared toward adaptability), and this results in contextual ambidexterity, which subsequently enhances performance” (Gibson & Birkinshaw 2004, p.213). Using the various defined dimensions, researchers have defined these two features as components of organisational ambidexterity, as shown in Table 5 below.

Author	Year	Definition
Gibson and Birkinshaw	2004	An organisation's ability to do two different things at the same time – for example exploitation and exploration, efficiency and flexibility or alignment and adaptability.
Tushman and O'Reilly	1996	The ability to pursue both incremental and discontinuous innovation simultaneously and the change that results from hosting multiple contradictory structures, processes and cultures within the same firm.
Adler et al.	1999	The realisation of simultaneous pursuit of both routine and non-routine tasks.

Author	Year	Definition
Benner and Tushman	2003	Ambidextrous organisations are composed of multiple tightly coupled subunits that are themselves loosely coupled with each other.
He and Wong	2004	The capability both to operate in mature markets (where cost efficiency and incremental innovation are critical) and to develop new products and services for emerging markets (where experimentation, speed and flexibility are critical).
Atuahene-Gima	2005	Simultaneous investments in both the exploitation of existing product innovation capabilities and the exploration of new ones.
Gupta et al.	2006	Synchronous pursuit of both exploration and exploitation via loosely coupled and differentiated subunits or individuals, each of which specialises in either exploration or exploitation.
Lubatkin et al.	2006	Ambidextrous firms are capable of exploiting existing competences as well as exploring new opportunities with equal dexterity.
O'Connor and DeMartino	2006	The ability of business unit managers simultaneously to advance radical innovation initiatives while conducting daily operational functions.

Table 5: Definitions of Organisational Ambidexterity

One of the drivers of the Sogoshosha's core competence, their long history, is assumed the result of their incremental innovation, which improves their operational efficiency and credibility, based on their existing competence generated by their daily operation (Atuahene-Gima 2005; He & Wong 2004; O'Connor & DeMartino 2006). Kawamura et al. (2000) pointed out that the Sogoshosha's long history and the credibility this fosters form a flexible foundation for their routine business operations and exploitative tasks. These factors in the Sogoshosha's long history are apparent in the exploitation and alignment dimension of organisational ambidexterity. The researcher concludes that the exploitation/alignment dimension of organisational ambidexterity is positively related to the long history of the Sogoshosha, as one of the drivers of their core competence.

“The future of the Sogoshosha will be determined by the presence of capable managers and staff who are considered superior not only according to domestic standards, but who are able to use their excellence in competitive global business ventures” (Kawamura et al.

2001, p.35). In rapidly and dynamically changing business environments internally and externally, the Sogoshosha must secure their future business properly. Consequently, they need strategic management to guide a revolution that will provide their best positioning to utilise the opportunities of worldwide markets (Jun 2009).

In line with these discussions, the Sogoshosha's radical innovation, as seen in the introduction of new products and services, is based on their ability to explore new opportunities in their business (He & Wong 2004; Lubatkin et al. 2006; O'Connor & DeMartino 2006). This is assumed to be positively associated with the global network of the Sogoshosha as one of the drivers of their core competence. Thus, this research postulates that the explorative/adaptability dimension of organisational ambidexterity is positively related to the global network of the Sogoshosha as one of the drivers of their core competence.

4.5.2 Balancing/Switching Dimension

Raisch and Birkinshaw (2008) explained the balancing dimension of organisational ambidexterity as follows: organisations are often confronted with the stress of achieving exploitative and explorative activities simultaneously. Conversely, organisations that specialise in exploiting innovation capabilities for current products may suffer from dysfunctional rigidity, which trades off their explorative capabilities to create a new product. Organisational ambidexterity, i.e. the ability to achieve both exploitative and explorative innovations simultaneously, is important for organisations. In order to achieve these confronting two goals simultaneously, organisations need a complex capability as an additional source of corporate advantage beyond the advantage for each innovation way. There are various organisational dimensions useful for finding a balance between exploitative and explorative innovation (see Table 5 on page 65) (Raisch & Birkinshaw 2008).

Raisch and Birkinshaw (2008) further explained the balancing dimension of organisational ambidexterity from the aspect of adaptability by citing other studies as follows: for a long time, successful organisations have kept a balance between continuity (exploitation) and change (exploration). Organisational evolution has been developed over a long period, but it has also been interrupted by short periods of unpredictable change. Therefore, successful organisations simultaneously pursue exploitation or alignment, during ordinary periods of change, and radical exploration or transformation,

during periods of revolutionary change (Tushman & O'Reilly 1996). Meyer and Stensaker (2006) also explained that an organisation's capacity of change is associated with its ability to implement radical innovation and to maintain daily operations in a balanced manner.

As noted in the aforementioned arguments, balance contains a paradox in its simultaneous implementation of the exploiting and exploring dimensions of organisational ambidexterity. The Sogoshosha have diversified their business in accordance with the rapid changes coming from their business environment, providing multilateral traits and a lack of integrity in their business model. Their business diversity functions as risk dispersion and as an opportunity pool for their business activity.

For these reasons, this research proposes that diversified business is functionally related to the balancing dimension of organisational ambidexterity, as one of the drivers of the Sogoshosha's core competence.

From the above subsections, we can conclude that there is a positive relationship between organisational ambidexterity and the Sogoshosha's core competence from the lower level of individual relationships between each dimension of these latent variables. Thus, we hypothesise:

Hypothesis H4. Organisational ambidexterity is positively related to the Sogoshosha's core competence.

This hypothesis corresponds to research question *Q4* in section 4.1.

4.6 Knowledge Transfer as a Mediator

Based on the previous discussions, it can be supposed that a positive connection exists between social capital and organisational ambidexterity (H1), social capital and knowledge transfer (H2), knowledge transfer and organisational ambidexterity (H3), and organisational ambidexterity and the Sogoshosha's core competence (H4).

In social sciences, there are many cases where hypotheses contain mediating effects and then a third predictor indirectly intervenes between the other two related variables (Preacher & Hayes 2008). This research assumes that knowledge transfer may have a

mediating effect on the relationship between social capital and organisational ambidexterity.

Preacher and Hayes (2008) explained the concept of mediator and the access method to a mediating effect as follows: it is essential to establish relationships between variables for detecting their correlation, which may indicate that two variables are causally related. Moreover, it is more important to investigate how and through what paths such a causal relationship occurs. There are many cases where a specific independent variable has an effect on dependent variables in the field of behavioural science. “Questions about cause–effect relations invoke the idea of mediation, the process by which some variables exert influences, either fully or partially, on others through intervening or mediator variables” (Preacher & Hayes 2008, p.879).

A mediation effect is generated when a third potential variable or mediator (M) intervenes in the relationship between an independent variable (X) and a dependent variable (Y). Preacher and Hayes’ approach to the mediation effect (2008) can be carried out based on the assumption that a logical relationship can be established, between X, M, and Y, on theoretical and procedural grounds. When a mediation effect is caused by one mediating variable only, it is called a simple mediation effect. Figure 5 shows a simple mediation effect model. X is hypothesised to exert an indirect effect on Y through M and, in the case of a partial mediation effect, a direct effect on Y is reduced (path c’). We see that the independent variable (X) has a direct effect on the dependent variable (Y; path c’), while impacted by its indirect effect through the mediator (M; path ab). X has a direct effect on M (path a), and M has a direct effect on Y (path b); however, the effect of M on Y is affected by the effect of X on M. In this regard, X has an indirect effect on Y through M (path ab). We conducted regression analysis to examine the significance of the unstandardised coefficients for all paths (Preacher & Hayes 2008). The total effect of X on Y is identified as c (Figure 4). The indirect effect of X on Y, through M, can be expressed as ab. The total effect of X on Y can be also explained as the sum of the direct and indirect effects: $c = c' + ab$. In other words, c' is the difference between the total effect of X on Y (c) and the indirect effect of X on Y through M (ab)—that is, $c' = c - ab$ (Figure 4 and Figure 5) (Preacher & Hayes 2008).

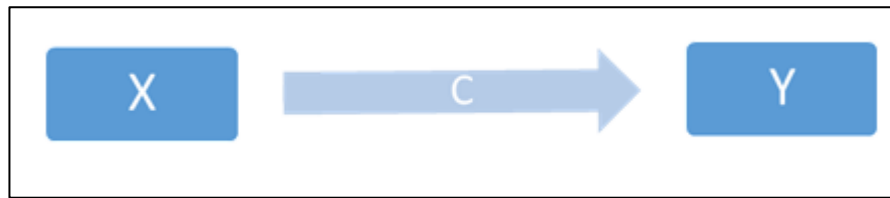


Figure 2: Mediator Model A: Illustration of a direct effect from X to Y (path c)

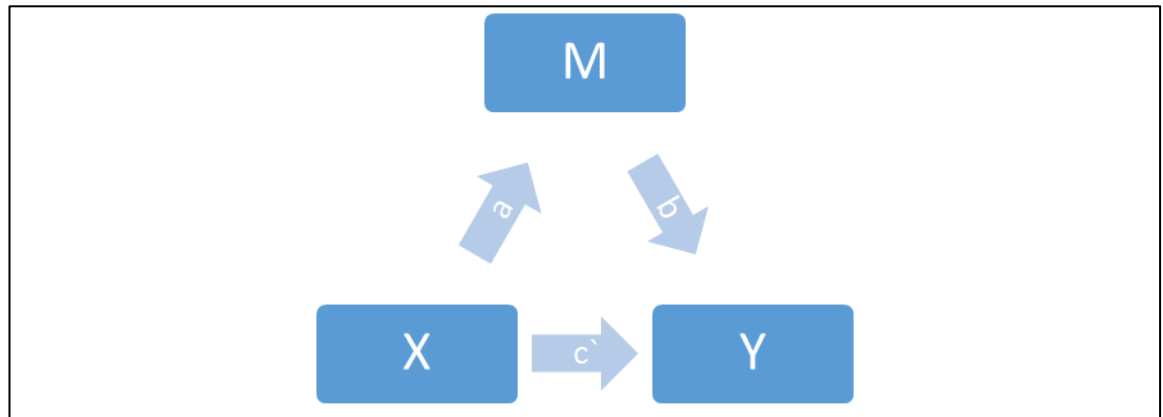


Figure 3: Mediator Model B: Illustration of a mediation effect.

Source: Preacher and Hayes (2008)

In our research, knowledge transfer is posited to mediate (M), the relationship between social capital (X) and organisational ambidexterity (Y) for the Sogoshosha. For this reason, we introduce a new hypothesis.

Hypothesis H5. Knowledge transfer mediates the functional relationship between social capital and organisational ambidexterity for the Sogoshosha.

At this stage, there is not a clear full or partial mediation effect. This will be derived empirically in chapter 6.

4.7 Research Structure

The previous sections discussed the relationship of each sub dimension of the model, and the Sogoshosha's core competence. Figure 6 shows the hypothesised relationships represented as a structural equation model (SEM). The following abbreviations are used: SC: social capital; KT: knowledge transfer; OA: organisational ambidexterity; and CC: the Sogoshosha's core competence.

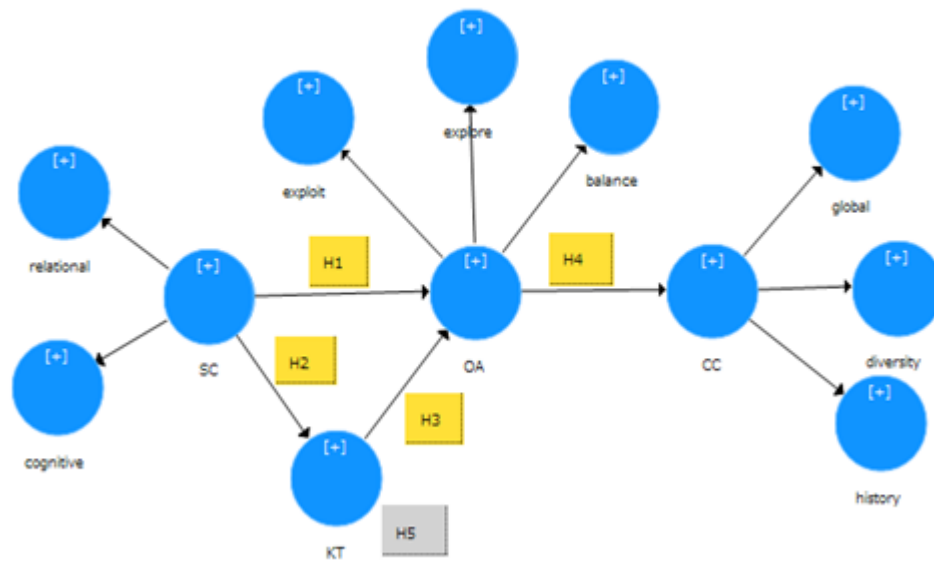


Figure 4: Research Structure

4.8 Summary

This chapter specified four research questions and generated five research hypotheses. The resulting structural equation model provides a framework for understanding how the Sogoshosha maintain and enhance their core competence in order to support their varied functions and wide range of trading from the viewpoints of social capital, knowledge transfer, and organisational ambidexterity. This framework describes not only the relationships between the associated constructs but also the relationship between the elements of these constructs.

In the next chapter, we will develop and discuss the methodology used to verify this model.

Chapter 5. Methodology

5.1 Introduction

This chapter discusses the research model development, questionnaire design and issues associated with the main methodology and data collection. The research follows a positivist research paradigm supported by a survey case study with a sample frame comprising current employees of Japanese Sogoshosha that exhibit a specific demographic background.

The study is cross-sectional with data regarding the perceived impact of internal and external important partners on the core competencies of the Sogoshosha being collected from employees of the Sogoshosha. These are collected through purposive sampling of colleagues employed at the Marubeni Corporation by the researcher and random selection of employees from the remaining Sogoshosha by a professional marketing company. A description of the scales used to measure the focal variables and control variables used in the model and the questionnaire are discussed.

The variance based partial least squares structural equation model used to fit the putative models to the collected data is justified and power calculations introduced to further confirm the adequacy and appropriateness of the model. The standard measures to test for the reliability, validity and external validity of the fitted models for the internal and external partners are also presented and the results of the pilot study are analysed.

5.2 Pilot Survey

A pilot study is generally considered to be an important element of good research and there are many reasons for conducting such a study. These include the development and testing of the research instrument or instruments, such as questionnaires, the collection of preliminary data and the testing of the logic of the research. A pilot study can also take the form of an exploratory survey, in order to gain better insights into the subject matter of the research, to help define the scope for theory development and to design or amend the research protocols (Forza 2002; Neuman 2007; Teijlingen & Hundley 2001). Moreover, it can also lead to the acquisition of usable primary data for the study. This

researcher conducted a pilot study, initially, to investigate the appropriateness of the research structure and the contents of the questionnaire for the full formal survey.

5.2.1 Data Accessibility and Research Ethics

The subject of this research is the Sogoshosha, which consists of the seven largest Japanese trading companies. The researcher has worked for the Marubeni Corporation Sogoshosha for over 20 years. His career within the Sogoshosha has been in the textile, clothing and automotive departments with time also being spent in Marubeni's foreign subsidiaries and branches. Once their basic department allocation is fixed, employees of Sogoshosha typically follow the relevant industry, and its corresponding departments, until the end of their career in order to develop their expertise and to use it effectively. Consequently, the researcher had access to a wide range of his company's colleagues; not only those from his current and previous business departments, but also those colleagues of the same generation. The researcher had frequent opportunities for unofficial meetings or when attending events, even when there was no direct business relationship.

To avoid possible future disputes and, following good research practice, the administrative department and human resources departments at Marubeni Corporation were approached, prior to conducting the pilot survey, to establish whether ethical approval was required to use colleagues as respondents. There was no requirement but Marubeni restricted the researcher to access to twenty respondents, through the company e-mail system. This was intended to avoid interference in the colleagues' working environment and to keep internet security and information confidential, while respecting the endeavours of the researcher in his own professional development and the potential usefulness of the research findings to the Sogoshosha. The research was also appraised for ethical approval by Heriot-Watt University and the University of Bradford, and was further deemed to be uncontentious.

The researcher followed the set guidelines and sent e-mails requests to his colleagues with a Microsoft Word-based questionnaire, for his pilot survey. He later changed this to an online questionnaire. Colleagues were only contacted early in the morning, at night, during lunchtime, or in the holidays, to increase the response rate by minimising the risk of interrupting the potential respondents' working time. The researcher selected the potential respondents for his questionnaire based on his own network, developed during his career in the Marubeni Corporation. They consisted of same-generational colleagues

without direct business relationships, colleagues in his current department relative to the automotive industry, colleagues in previous departments corresponding to the textile and clothing industry, and colleagues in the business support divisions to which he had frequent access. The researcher maintained diversity in the selection of these networks in order to avoid bias in the responses, as much as possible. The actual sample targets, thus, included several sales departments in different industries, several business support divisions with different functions, foreign branches, and joint venture companies. The potential respondents' working careers in the Sogoshosha ranged from one year to thirty years and they were all between twenty to fifty years of age.

5.2.2 Measures and Questionnaire

The questionnaire for the pilot survey was originally designed to investigate the functional relationship between social capital, organisational ambidexterity, and the Sogoshosha's core competence. We added knowledge transfer, as another latent variable, after the analysis of the first pilot survey results, as will be explained in the next section. The researcher used the common procedures for developing questionnaires, as described by Churchill and Brown (2004). We did not change the basic design of the measures and the questionnaire, until the end of the formal survey. Churchill and Brown suggested the following nine steps for setting up a questionnaire:

1. Specify what information will be sought
2. Decide the kind of questions and the administration method
3. Decide the substance of individual questions
4. Decide the response form for every question
5. Decide the wording of every question
6. Decide the sequence of questions
7. Decide the physical attributes of the questionnaire
8. Review the above steps from 1) to 7) and revise, if necessary
9. Pre-test the questionnaire

The measurement and scale of each variable: social capital, organisational ambidexterity, and the Sogoshosha's core competence, within the research context of the first pilot survey are explained in the following subsections.

5.2.3 Social Capital

This research treats the internal and external partner networks as the entry point for the investigation of social capital and selects two dimensions of social capital, the relational and cognitive dimensions, as the latent variables, referring to the research by Chiu, Hsu, and Wang (2006), Goold and Campbell (2003), Tsai and Ghoshal (1998) and Weber et al. (2013).

Partners:

This research assumes that the three core competences of the Sogoshosha (previously discussed) are supported by social relationships with their partners. With regard to the selection of the corresponding measurements from the Sogoshosha that mediate in the range of industries for every kind of transaction, this research divided its societal ties into those with internal partners and those with external partners. The partners, per se, are considerably diverse, especially in the case of the global and multifunctional Sogoshosha. In agreement with Goold and Campbell (2003), the researcher used the following categories:

Internal partners:

1. Business division: transportation, food, electric plants, energy, chemicals, textiles, pulp, construction, etc.
2. Business support division or department: shared service units/human resources, legal, finance, accounts and tax, compliance, secretaries, audit, logistics, etc.
3. Senior management: president and management group (CFO, CEO, etc.)
Subsidiary companies
4. Subsidiary companies
5. Joint venture companies

Most employees in the Sogoshosha belong to one of the above five unit categories; therefore, in the questionnaire the respondents had five optional relationships with their own unit and four others.

The researcher tried to standardise the external partners by eliminating attributes such as industry and location, because the Sogoshosha's activities are spread widely across many kinds of global industries.

External partners:

1. Buyers
2. Sellers
3. Government-related
4. Logistics/distribution-related
5. Finance-related

In the actual questionnaires, we added "Others" as an extra option to these five selections for both internal and external partners. This option required the respondent to fill in their specific partner, if any.

This research asked the respondents to choose the three most important partners from both the internal and external categories and to rank these six important partners in terms of their relative importance. Social interaction was measured by asking how many connections each respondent had for each internal and external partner category (see Table 6 on page 79).

Relational Dimension of Social Capital:

This research focuses on trust and trustworthiness within a relationship, as the relational dimension of social capital, based on Nahapiet and Ghoshal (1998) and Tsai and Ghoshal (1998). We generated the three questions by referring to the above studies and others by Chiu et al. (2006) and Kemper, Schilke, and Brettel (2013). These questions were present in both the internal and the external partner sections of the questionnaire (see Table 6). A seven-point Likert scale (1=strongly disagree~4=neither agree nor disagree~7=strongly agree) was applied based on the study by Dawes (2008).

The three questions were:

1. I believe that I can rely on this partner not to take advantage of me, even if the opportunity arises in the business or social context.
2. In general, this partner will always keep the promises that he or she makes to me.
3. I believe that this partner approaches his or her job with professionalism and dedication.

Cognitive Dimension of Social Capital:

The author presumes that the cognitive dimension of social capital comprises the shared goals, values, and cognitions of the partners, based on the study by Tsai and Ghoshal (1998). We asked three questions based on the research by Chiu et al. (2006), Kemper et al. (2013), and Tsai and Ghoshal (1998). These questions were examined in both the internal and the external partner categories as well as other dimensions of social capital. We applied a seven-point Likert scale, as we did for the relational dimension of social capital (see Table 6).

1. My partner believes that the needs of the entire business network should take priority over personal needs.
2. This partner and I share the vision of helping each other to solve our professional problems.
3. This partner and I share the same goal of learning from each other.

5.2.4 Organisational Ambidexterity

This research selected exploiting/alignment, exploring/adaptability, and balancing and switching between exploiting and exploring/ambidexterity as the main constructs of organisational ambidexterity, in line with studies by Gibson and Birkinshaw (2004) and Kauppila (2010). We asked the respondents to select grades for their company, from a seven-point Likert scale, according to the above variables. We asked three questions for each dimension of organisational ambidexterity, based on the studies by Gibson and Birkinshaw (2004) and Kauppila (2010). We asked the respondents to describe their overall impression of the company where they work, without the distinction of internal and external partners (see Table 6).

The three questions were:

Exploitation/Organisational Alignment:

1. The management systems in our company work coherently to support the overall objectives of our company.
2. The management systems in our company cause us to waste resources on unproductive activities. (Reverse coded)
3. People in our company often end up working at cross-purposes, because the management systems give them conflicting objectives. (Reverse coded)

Exploration/Organisational Adaptability:

1. The management systems in our company encourage people to challenge outmoded traditions/practices/sacred cows.
2. The management systems in our company are flexible enough to allow us to respond quickly to changes in our markets.
3. The management systems in our organisation evolve rapidly in response to shifts in our business priorities.

Balancing and Switching/Organisational Ambidexterity:

1. The management systems in our company have the ability to collaborate with different partners and employ their knowledge.
2. The management systems in our company have the ability to deal with the coexistence of exploration (of new knowledge) and exploitation (of existing knowledge).
3. The management systems in our company have specific mechanisms, such as a job rotation system, a matrix organisation, etc., to support switching between and balancing exploitation (of existing knowledge) and exploration (of new knowledge).

5.2.5 The Sogoshosha's Core Competence

The researcher concluded that the Sogoshosha's concrete core competence is strategic flexibility and that it has three elements: a global network, diversified business, and a long history. This conclusion is made with reference to the previous works on the

Sogoshosha (JFTC 2015; Kawamura et al. 2000; Larke & Davies 2007; Tanaka 2005; Yoshino & Lifson 1986) and through knowledge gained in the researcher's long experience of working in the Sogoshosha. Each question was developed with reference to Jun (2009), Mou (2008), Nakatani (1998), Tsuji (1997), and the researcher's personal experience. We requested the respondents to select an answer matching their company from a seven-point Likert scale without distinguishing between internal and external partners, as for the organisational ambidexterity measurement. We asked three questions for each element of the Sogoshosha's core competence as follows (see Table 6).

Global network:

1. Our global network brings about new business opportunities for our company.
2. Our global network is the foundation on which our current business is maintained and expanded.
3. Our global network is difficult to imitate or copy.

Diversified business:

1. Our company continually develops and expands its business to meet the market needs.
2. Our company takes advantage of the diversity of the products that it handles (from noodles to satellites) to disperse risk.
3. Our company's diversity helps to create many new business opportunities.

Long history:

1. The long history of our company helps to give it a good reputation in the marketplace.
2. The above long history is consolidated and will be inherited by the next generation of our company.
3. The above long history is not a hindrance to the flexibility of our company.

5.2.6 Control Variables

In this research age, gender, working years in the Sogoshosha and job area were selected as control variables, based on the research by Chiu et al. (2006), Goold and Campbell

(2003), and Jun (2009). At a later stage, they are used for post-hoc analyses to examine whether they have any effect on the latent variables (see Table 6).

Construct	Variable	Question	Measurement	Source
Demographic question	Control	<p>Please circle the information that applies to you.</p> <p>1) Company: Itochu Corp, Marubeni Corp, Mitsubishi Corp, Mitsui & Co, Sojitz Corp, Sumitomo Corp, Toyota Tsusho Corp</p> <p>2) Age: 20~30, 31~40, 41~50, 51~60, 61~</p> <p>3) Gender: male, female</p> <p>4) Working years in Sogoshosha: 1~10, 11~20, 21~30, 31~</p> <p>5) Job area: business division, shared service division, shared service department in business division, overseas office or subsidiary company, domestic office or subsidiary company</p>	Singular selection	1)–5) Chiu et al. (2006), Goold and Campbell (2003), and Jun (2009)
Social capital		<p>6) With how many internal partners do you liaise? Please fill in the number applicable to each category below:</p> <p>other business divisions (), shared service division or department (), senior management (), subsidiary company (), joint venture company, other: if any, please write the type and number. () ()</p> <p>7) With how many external partners do you liaise? Please fill in the number applicable to each category below:</p> <p>buyers (), sellers (), government-related (), logistics/distribution-related (), finance-related (), other: if any, please write the type and number. () ()</p> <p>20) Please choose your three most important internal partners (male or female).</p> <p>21) Please choose your three most important external partners (male or female).</p> <p>22) Please rank your overall reliance on these six partners in both internal and external categories based on their comparative importance.</p>	Numbers	Researcher's original question with reference to Chiu et al. (2006), Goold and Campbell (2003), Tsai and Ghoshal (1998), and Weber et al. (2013)

Construct	Variable	Question	Measurement	Source
	Relational dimension/trust and trustworthiness	<p><For your three most important internal partners></p> <p>8) I believe that I can rely on this partner not to take advantage of me even if the opportunity arises in the business or social context.</p> <p>9) In general this partner will always keep the promises that he or she makes to me.</p> <p>10) I believe that this partner approaches his or her job with professionalism and dedication.</p> <p><For your three most important external partners></p> <p>14) I believe that I can rely on this partner not to take advantage of me even if the opportunity arises in the business or social context.</p> <p>15) In general this partner will always keep the promises that he or she makes to me.</p> <p>16) I believe that this partner approaches his or her job with professionalism and dedication.</p>	7-point Likert scale (1=strongly disagree~ 4=neither agree nor disagree~ 7=strongly agree)	Chiu et al.(2006), Kemper et al.(2013), Nahapiet and Ghoshal (1998), and Tsai and Ghoshal (1998)
	Cognitive dimension/shared vision	<p><For your three most important internal partners></p> <p>11) My partner believes that the needs of the whole business network should take priority over personal needs.</p> <p>12) This partner and I share the vision of helping each other to solve our professional problems.</p> <p>13) This partner and I share the same goal of learning from each other.</p> <p><For your three most important external partners></p> <p>17) My partner believes that the needs of the whole business network should take priority over personal needs.</p> <p>18) This partner and I share the vision of helping each other to solve our professional problems.</p> <p>19) This partner and I share the same goal of learning from each other.</p>	As above	Chiu et al. (2006), Kemper et al. (2013), and Tsai and Goshal (1998)
Organisational ambidexterity	Exploitation/organisational alignment	<p>23) The management system in our company works coherently to support the overall objectives of our company.</p> <p>24) The management systems in our company cause us to waste resources on unproductive activities. (Reverse coded)</p> <p>25) People in our company often end up working at cross-purposes, because the management systems give them conflicting objectives. (Reverse coded)</p>	As above	Gibson and Birkinshaw (2004) and Kauppila (2010)

Construct	Variable	Question	Measurement	Source
	Exploration/ organisational adaptability	26) The management systems in our company encourage people to challenge outmoded traditions/practices/sacred cows. 27) The management systems in our company are flexible enough to allow us to respond quickly to changes in our markets. 28) The management systems in our organisation evolve rapidly in response to shifts in our business priorities.	As above	As above
	Balancing and switching	29) The management systems in our company have the ability to collaborate with different partners and employ their knowledge. 30) The management systems in our company have the ability to deal with the coexistence of exploration (of new knowledge) and exploitation (of existing knowledge). 31) The management systems in our company have specific mechanisms, such as a job rotation system, matrix organisation etc., to support switching and balancing between exploitation (of existing knowledge) and exploration (of new knowledge).	As above	As above
Sogoshosha's core competence	Global network	32) Our global network brings about new business opportunities for our company. 33) Our global network is the foundation on which our current business is maintained and expanded. 34) Our global network is difficult to imitate or copy.	As above	Researcher's original question with reference to Jun (2009), Mou (2008), Nakatani (1998), and Tsuji (1997)
	Diversified business	35) Our company continuously develops and expands its business to meet the market needs. 36) Our company takes advantage of the diversity of the products that it handles (from noodles to satellites) to disperse risk. 37) Our company's diversity helps to create many new business opportunities.	As above	As above
	Long history	38) The long history of our company helps to give it a good reputation in the marketplace. 39) The above long history is consolidated and will be inherited by the next generation of our company. 40) The above long history is not a hindrance to the flexibility of our company.	As above	As above

Table 6: Questionnaire Table for the Pilot Survey

5.2.7 Back Translation

This research targeted the Sogoshosha's employees for data collection. While the Sogoshosha is known for its global networks and diversified business; the employees who

work for its headquarters are predominantly Japanese and, therefore, the researcher conducted a back translation of this questionnaire, between English and Japanese before submitting the Japanese version of the questionnaire to the potential respondents. He contacted a senior American colleague with bilingual skills and asked him to support the back translation of this research questionnaire.

In reference to the Brislim's study (1970), the researcher conducted a four-step procedure for his back translation:

Original (Japanese) => target (English) => target check (English/Japanese) => target (English)

We then checked the following points, in this four-step procedure:

1. Whether the grammar was correct
2. Whether the words used would be understood by most native speakers
3. Whether the checker believed that other people would have any problem reading the material and answering questions about it

Accordingly, the researcher first asked his bilingual colleague to check the content of the English questionnaire and received advice on how to improve the grammar and expressions to encourage a better understanding for the respondents. After reflecting on the comments, the researcher translated it into Japanese and requested his bilingual colleague to check both the English and the Japanese questionnaires again, simultaneously. There were still some points to be revised, so a second set of updates were made for the two questionnaires, for equivalence. After that, the final questionnaire was made available for the pilot study.

5.2.8 Analysis Method

Analysis by PLS-SEM

According to Kwong and Wong (2013, p.1), "Structural equation modelling (SEM) is a second-generation multivariate data analysis technique that is used in many marketing studies because it can test theoretically supported linear and additive causal models (Chin, Marcolin, & Newsted 1996; Haenlein & Kaplan 2004; Statsoft 2013)". Researchers can

use SEM to examine the relationships among variables visually, and it can handle unobservable latent variables measured indirectly by indicator variables.

Partial least squares structural equation modelling (PLS-SEM) “is considered as a soft modelling approach where no strong assumptions (with respect to the distributions, the sample size and the measurement scale) are required” (Vinzi, Trinchera, & Amato 2010, p.48). Therefore, PLS-SEM is a complementary option for covariance-based structural equation modelling (CB-SEM) when researchers come across the following situations:

1. The sample size is small.
2. Applications have little available theory.
3. Predictive accuracy is paramount.
4. The correct model specification cannot be ensured.
5. Exploratory in the case of no, or only a little, prior knowledge.
6. No multivariate normal distribution of the error terms.

(Hair, Hult, Ringle, & Sarstedt 2014; Kwong & Wong 2013; Wong 2010)

Although PLS-SEM does not have an adequate global goodness-of-fit model measure, it is used, however for theory testing and confirmation. In addition, PLS-SEM generally suffers from bias and consistency problems concerning parameter estimates (Reinartz, Haenlein, & Henseler 2009). Notwithstanding these limitations, PLS-SEM is recognised as a useful approach to applied research projects, with a limited data population and skewed data distribution (Wong 2010). The use of PLS-SEM has increased exceptionally in a variety of disciplines with the recognition that PLS-SEM is a practical and complementary option for the more widely used CB-SEM approach due to its distinctive methodological characteristics. PLS-SEM should not simply be regarded as a more flexible alternative to CB-SEM but rather as a complementary modelling approach to SEM. If applied correctly, PLS-SEM can indeed be “a silver bullet” in many research situations (Hair, Ringle, & Sarstedt 2011, pp.139, 148, 149).

Considering the company limitation of up to twenty respondents for the questionnaire, this research adopted PLS-SEM as the main analysis method for its pilot survey.

SmartPLS is one of the prominent software applications for PLS-SEM. It was developed by Ringle, Wende, and Will (2005) and has a user-friendly interface and advanced reporting features. We implemented both the pilot study and the formal survey using the SmartPLS package.

As concerns the sample size for the pilot survey, Treece and Treece (1982) suggested using 10% of the sample size projected for the larger parent study. Julious (2005) suggested that 12 subjects should be a reasonable number. Hill (1998) proposed 10 to 30 participants for pilots in survey research. The pilot study of this research received eighteen completed responses in total, and this sample size satisfies the minimum 10 (Hill 1998), and the 10% of parent study (125) (see section 5.3) (Treece & Treece 1982), as well as the threshold of 12 (Julious 2005). For this study, we conclude that eighteen items of data will be useful for the pilot survey.

5.3 Result of the Pilot Survey and Development of the Formal Survey

The researcher collected a total of eighteen responses from his colleagues for this pilot survey. First, he sent an e-mail containing the questionnaire, in a Microsoft Word file format, to twenty colleagues and received ten responses back. After analysing these first ten pilot responses, the researcher modified the research structure by adding knowledge transfer as a moderator variable between social capital and the Sogoshosha's core competence. Following interviews with the respondents, he revised several questions to provide them with a better understanding. To increase the number of responses, the researcher changed the data collection method, in the middle of the pilot survey period, from a Word file submission with a request to return the file after completion, to an online questionnaire. He created the online questionnaire using free software from Inqwise. The questionnaire used in the formal survey can be seen at the corresponding internet address for this software (Inqwise Survey Software 2015), albeit only in the Japanese version,

Providing the questionnaire online was a more user-friendly method. It increased the reply rate and reflected the questionnaire's modification and the new research structure. As a result, ten additional responses were collected from fourteen new potential respondents. Simultaneously, the researcher requested the ten first pilot respondents to reply to the second pilot study using the online questionnaire. The response rate was good and eight responses were collected, increasing the total data for the pilot study from ten to eighteen responses.

5.3.1 Structure Revision/Adding Knowledge Transfer as a Latent Variable

First, the researcher analysed the pilot data from the ten email/Microsoft Word respondents, for both internal and external partner relationships. At that stage the research structure did not include knowledge transfer as a latent variable. In order to fit the PLS-SEM and to investigate the appropriateness of the research structure, the ten responses were multiplied ten times. This gave one hundred responses, which were used for the analysis; however, the results of the PLS-SEM analysis indicated a weak coefficient of determination, R^2 , for organisational ambidexterity, to be explained by social capital in both the internal and the external partner relationships (see Appendices 5.1 and 5.2). The coefficient of determination, R^2 , for organisational ambidexterity by social capital is 0.204 in the case of internal partnerships. For external partners, it is only 0.202. According to Kwong and Wong (2013), comprehensively, an R^2 of 0.75 is substantial, 0.50 is moderate and 0.25 is weak. These figures were regarded as weak proof of the coefficient of determination between these two latent variables.

The researcher conducted an additional literature review of social capital and organisational ambidexterity and found that several studies show some relationship between knowledge transfer and social capital, which leads to the relationship between knowledge transfer and organisational ambidexterity. A detailed explanation of the literature on knowledge transfer and the related research hypothesis is in chapters 3 and chapter 4. For this reason, knowledge transfer was added as a mediator between social capital and organisational ambidexterity variables in the second stage of the pilot survey. In the following subsection, the measurement, scale, and questions for knowledge transfer are explained.

5.3.2 Knowledge Transfer

The researcher took know-what, know-how, and know-who as the measurements for knowledge transfer based on the studies by Weber and Weber (2011) and Weber et al. (2013, 2014). We adopted a seven-point Likert scale (1=strongly disagree~4=neither agree nor disagree~7=strongly agree), as for social capital, organisational ambidexterity, and the Sogoshosha's core competence. One question was provided for each dimension of knowledge transfer – know-what, know-how, and know-who – and answers were requested in both the internal and the external partner categories as follows (see Table 7 on page 91).

1. I can acquire explicit knowledge, such as data, technological or financial information, from this partner. (Know-what)
2. I can learn know-how, such as experience, skills and procedural knowledge, from this partner. (Know-how)
3. This partner introduces new people who will potentially contribute to my work, such as new investors, clients, suppliers, experts, etc. (Know-who)

5.3.3 Interview and Questionnaire Revision

The result of the reliability indicator in the first pilot survey, obtained through the PLS-SEM analysis, is presented in Appendices 5.1 and 5.2. A figure of 0.70 or higher is preferred as the indicator of reliability. If it is exploratory research, 0.4 or higher is acceptable (Hulland 1999). There were three indicators with lower values than this benchmark in both the internal and the external partner relationships:

Internal partnerships

The figure of cognitive-1	0.399
The figure of indicator explore-1	- 0.154
The figure of global-3	0.160

External partnerships

The figure of cognitive -1	- 0.132
The figure of indicator explore-1	0.281
The figure of global-3	0.158

According to the above results, we checked three questions, corresponding to the cognitive dimension of social capital, exploration dimension of organisational ambidexterity and global dimension of the Sogoshosha's core competence. This was done to identify the reason for these low or negative figures in the first pilot survey stage. The researcher conducted interviews with six respondents, out of the first ten pilot study respondents, by direct email.

1) Cognitive dimension of social capital/indicator-1

(Questions 11 and 20 in Table 6 on page 81)

First question: My partner believes that the needs of the whole business network should take priority over personal needs.

The interview showed that the respondents found it difficult to grasp the meaning of this question, because of the lengthy description, and therefore a simplified version was generated, shown below. Optimisation is a popular word among Japanese business people, who have a tendency to respect harmony and teamwork in their many business transactions. All the interviewed respondents commented that the revised question was much easier to understand.

(Questions 11 and 20 in Table 7 on page 91)

Revised question: My partner prefers total optimisation to private needs for our business accomplishments.

2) Exploration dimension of organisational ambidexterity/indicator-1

(Question 26 in Table 6)

First question: The management systems in our company encourage people to challenge outmoded traditions/practices/sacred cows.

According to the respondents, they could not understand the meaning of “sacred cows”, which caused confusion in their answers. Consequently, the content of the question was changed to a more practical expression, resulting in an evaluation of easier understanding from all the respondents.

(Question 32 in Table 7)

Revised question: The management systems in our company expect us to execute self-innovation to go beyond past achievements.

3) Global dimension of the Sogoshosha's core competence/indicator-3

(Question 34 in Table 6)

First question: Our global network is difficult to imitate or copy.

The respondents were the Sogoshosha employees and they were informed that this research targeted the Sogoshosha. They thought that the global dimension of the Sogoshosha is a common and popular characteristic nowadays and that it is easy for other companies to copy this, albeit superficially. “Global network” was a vague expression that the respondents understood as a popular function for big companies. The researcher revised this question by adding in words to avoid these misunderstandings. “Localised” globalisation is one of the unique functions of the Sogoshosha. When working in other countries for a long time, the Sogoshosha dispatch skilled individuals from Japan who become accustomed to each local business and culture. They then create their own new business opportunities. Without pushing the Japanese way, they absorb the local needs and their specific character. This is the Sogoshosha’s distinctive strength over other global companies. The researcher confirmed, with all the respondents, that the revised question indicated a clearer image of the Sogoshosha’s core competence.

(Question 40 in Table 7)

Revised question: It is difficult for other companies to imitate or copy our wide and localised global network.

5.3.4 Formal Survey Questionnaire

After making the above revisions and adding another latent variable to the research structure, the formal survey questionnaire was developed, as shown in Table 7, below. The revisions and additions are shown in italics.

Construct	Variable	Question	Measurement	Source
Demographic questions	Control	<p>Please circle the information that applies to you.</p> <p>1) Company: Itochu Corp, Marubeni Corp, Mitsubishi Corp, Mitsui & Co, Sojitz Corp, Sumitomo Corp, Toyota Tsusho Corp</p> <p>2) Age: 20~30, 31~40, 41~50, 51~60, 61~</p> <p>3) Gender: male, female</p> <p>4) Working years in Sogoshosha: 1~10, 11~20, 21~30, 31~</p> <p>5) Job area: business division, business support division, business support department in the business division, overseas office or subsidiary company, domestic office or subsidiary company</p>	Singular selection	1)–5) Chiu et al. (2006), Goold and Campbell (2003), and Jun (2009) and 20)–22) researcher’s original question

Construct	Variable	Question	Measurement	Source
Social capital		<p>6) With how many internal partners do you liaise? Please fill in the number applicable to each category below: other business divisions (), business support division or department (), senior management (), subsidiary company (), joint venture company, other: if any, please write the type and number. () ()</p> <p>7) With how many external partners do you liaise? Please fill in the number applicable to each category below: buyers (), sellers (), government-related (), logistics/distribution-related (), finance-related (), other: if any, please write the type and number. () ()</p> <p>26) Please choose the gender of your three most important internal partners (male or female).</p> <p>27) Please choose the gender of your three most important external partners (male or female).</p> <p>28) Please rank your overall reliance on these six partners in both the internal and the external category based on their comparative importance.</p>	Numbers	Researcher's original question with reference to Chiu et al. (2006), Goold and Campbell (2003), Tsai and Ghoshal (1998), and Weber et al. (2013)
	Relational dimension/trust and trustworthiness	<p><For your three most important internal partners></p> <p>8) I believe that I can rely on this partner not to take advantage of me even if the opportunity arises in the business or social context.</p> <p>9) In general this partner will always keep the promises that he or she makes to me.</p> <p>10) I believe that this partner approaches his or her job with professionalism and dedication.</p> <p><For your three most important external partners></p> <p>17) I believe that I can rely on this partner not to take advantage of me even if the opportunity arises in the business or social context.</p> <p>18) In general this partner will always keep the promises that he or she makes to me.</p> <p>19) I believe that this partner approaches his or her job with professionalism and dedication.</p>	7-point Likert scale (1=strongly disagree~ 4=neither agree nor disagree~ 7=strongly agree)	Chiu et al. (2006), Kemper et al. (2013), Nahapiet and Ghoshal (1998) and, Tsai and Ghoshal (1998)

Construct	Variable	Question	Measurement	Source
	Cognitive dimension/shared vision	<p><For your three most important internal partners></p> <p>11) My partner prefers total optimisation to private needs for our business accomplishments.</p> <p>12) This partner and I share the vision of helping each other to solve our professional problems.</p> <p>13) This partner and I share the same goal of learning from each other.</p> <p><For your three most important external partners></p> <p>20) My partner prefers total optimisation to private needs for our business accomplishments.</p> <p>21) This partner and I share the vision of helping each other to solve our professional problems.</p> <p>22) This partner and I share the same goal of learning from each other.</p>	As above	Chiu et al. (2006), Kemper et al. (2013) and, Tsai and Ghoshal (1998)
Knowledge transfer	Know-what, -how, and -who	<p><For your three most important internal partners></p> <p>14) I can acquire explicit knowledge, such as data, technological or financial information, from this partner.</p> <p>15) I can learn know-how, such as experience, skills and procedural knowledge, from this partner.</p> <p>16) This partner introduces new people who will potentially contribute to my work, such as new investors, clients, suppliers, experts etc. <For your three most important external partners></p> <p>23) I can acquire explicit knowledge, such as data, technological or financial information, from this partner.</p> <p>24) I can learn know-how, such as experience, skills and procedural knowledge, from this partner.</p> <p>25) This partner introduces new people who will potentially contribute to my work, such as new investors, clients, suppliers, experts etc.</p>	As above	Weber and Weber (2011) and Weber et al. (2013)
Organisational ambidexterity	Exploitation/organisational alignment	<p>29) The management systems in our company work coherently to support the overall objectives of our company.</p> <p>30) The management systems in our company cause us to waste resources on unproductive activities. (Reverse coded)</p> <p>31) People in our company often end up working at cross-purposes, because the</p>	As above	Gibson and Birkinshaw (2004) and Kauppila (2010)

Construct	Variable	Question	Measurement	Source
		management systems give them conflicting objectives. (Reverse coded)		
	Exploration/ organisational adaptability	32) <i>The management systems in our company expect us to execute self-innovation to go beyond past achievements.</i> 33) The management systems in our company are flexible enough to allow us to respond quickly to changes in our markets. 34) The management systems in our organisation evolve rapidly in response to shifts in our business priorities.	As above	As above
	Balancing and switching	35) The management systems in our company have the ability to collaborate with different partners and employ their knowledge. 36) The management systems in our company have the ability to deal with the coexistence of exploration (of new knowledge) and exploitation (of existing knowledge). 37) The management systems in our company have specific mechanisms, such as a job rotation system, a matrix organisation etc., to support switching between and balancing exploitation (of existing knowledge) and exploration (of new knowledge).	As above	As above
Sogoshosha's core competence	Global network	38) Our global network brings about new business opportunities for our company. 39) Our global network is the foundation on which our current business is maintained and expanded. 40) <i>It is difficult for other companies to imitate or copy our wide and localised global network.</i>	As above	Researcher's original question with reference to Jun (2009), Mou (2008), Nakatani (1998), and Tsuji (1997)
	Diversified business	41) Our company continuously develops and expands its business to meet the market needs. 42) Our company takes advantage of the diversity of the products that it handles (from noodles to satellites) to disperse risk. 43) Our company's diversity helps to create many new business opportunities.	As above	As above
	Long history	44) The long history of our company helps to give it a good reputation in the marketplace. 45) The above long history is consolidated and will be inherited by the next generation of our company.	As above	As above

Construct	Variable	Question	Measurement	Source
		46) The above long history is not a hindrance to the flexibility of our company		

Table 7: Questionnaire Table for the Formal Survey

5.3.5 The Results of the Second Pilot Study

The results of the second pilot study according to PLS-SEM are indicated in Appendices 5.3 and 5.4. Each weak or negative figure was improved, as shown in Table 8. However, the indicator reliability of cognitive-1 and global-3 for internal partnerships and global-3 for external partnerships still did not meet the acceptable level, 0.4 in the exploratory case. The coefficient of determination, R^2 , for organisational ambidexterity (OA) explained by social capital (SC) and knowledge transfer (KT) was between moderate (0.50) and weak (0.25) (Kwong & Wong 2013); however, the researcher concluded that this drastic improvement, based on only 18 small samples, was enough to make a decision about conducting the formal survey with many more samples.

<Internal Partnership>	<1ST>	<2ND>
Indicator Reliability/cognitive-1	0.399	0.335
Indicator Reliability/explore-1	-0.154	0.528
Indicator Reliability/global-3	0.160	0.312
R^2 for OA by SC and KT	0.204	0.445

<External Partnership>	<1ST>	<2ND>
Indicator Reliability/cognitive-1	-0.132	0.533
Indicator Reliability/explore-1	0.281	0.541
Indicator Reliability/global-3	0.158	0.312
R^2 for OA by SC and KT	0.202	0.406

R^2 : the coefficient of determination

OA: organisational ambidexterity

SC: social capital

KT: knowledge transfer

R^2 for OA by SC and KT: the coefficient determination for organisational ambidexterity explained by social capital and knowledge transfer

Table 8: Comparison Sheet between the First and the Second Pilot Survey

5.4 Formal Survey

5.4.1 Data Accessibility and Research Ethics

In order to collect data from the employees of the Sogoshosha, the researcher used the support of a professional marketing company with a large respondent pool.

According to Churchill and Brown (2004), the majority of Japanese business people are reluctant to participate in surveys during their business hours, since they understand that removing time from one's work, for a survey, is the same as stealing their business's opportunity or work productivity. Due to the Japanese culture, which is not open to academic surveys, and the mind-set of the Sogoshosha's employees, which focuses on

work by ignoring unnecessary enquiries except those resulting from business, the researcher presupposed that data collection would be a difficult task. He therefore consulted several marketing companies, and showed them his Japanese language questionnaire. However, their estimates of the quantity of data that could be collected from the Sogoshosha were limited, even though they had a panel population of more than one million. As a result, we selected the GMO research company. This company is listed in the first section of the Japanese stock market and was the only company that guaranteed more than 100 responses (GMO research company 2015).

This professional marketing company observed a policy of preserving the confidentiality of both surveyor and respondents. Therefore, it did not disclose the names of the trading company for which the respondents worked. The researcher concluded that this would not be a hindrance to the research, because the specific trading company name is unnecessary and would not compromise the research findings, since this research focuses on the commonalities in the integrated entity that is the Sogoshosha, and not on each general trading company.

A week after the research company started the survey, the researcher had already received data from 105 respondents; however, 19 surveys showed a significant lack of response to several questions, caused, perhaps, by a poor understanding of the internal and external partner distinctions. For this reason, the researcher negotiated with the research company to carry out additional data collection; however, due to the size of the questionnaire it did not aim for more than 100 responses the second time.

In order to achieve a greater statistical power for the analysis of the formal survey data, by increasing the data quantity, the researcher began to create an extension of the survey using an online system, and gathered 20 more responses. This was permitted by his company for the formal study as separate from his pilot survey. The researcher used the snowball method to obtain more data, thus circumventing the company restriction. In practice, this meant that the researcher asked his respondents to send his introductory email, with the online questionnaire, to their friends working for the Sogoshosha. As a result, 21 additional responses were collected after one month and the total number of responses was increased to 125. These total 125 responses consisted of 18 pilot responses, 86 effective responses collected by the research company and 21 responses newly added through the online system and following the snowball method.

5.4.2 Methodology for the Formal Survey

This section makes arguments concerning the dimensions of the three second-order component constructs (social capital, organisational ambidexterity, and core competence). It also discusses the correlations of the first-order constructs (knowledge transfer; the relational and cognitive dimension of social capital; the exploitative, explorative, and balancing dimension of organisational ambidexterity; and the global, diversity, and historical dimension of the Sogoshosha's core competence) (see Figure 6 on page 70 and Figure 7 below). This research used factor analysis to establish the dimensionality and the structural integrity of the model.

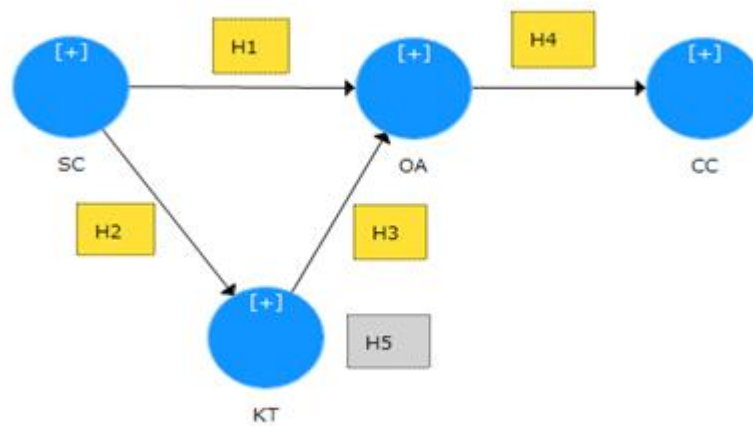


Figure 5: Higher Research Structure

SC: social capital; KT: knowledge transfer; OA: organisational ambidexterity; CC: the Sogoshosha's core competence.

Factor Analysis

Most researchers agree that common method variance (CMV) is a potential problem in behavioural research, because it is one of the main sources of measurement error (Podsakoff, MacKenzie, & Lee 2003). Podsakoff et al. (2003) further explained potential measurement error from CMV as follows: Measurement error caused by CMV can damage the analysed results of the relationship between measures. CMV is not genuine variance. This is due to the measurement method rather than to the construct represented by the measurement (random errors). Alternatively, it is a spurious systematic variance shared among variables through imperfect measurement instruments or imperfect observation methods that continues unless the cause of it is identified and eliminated (systematic errors). "Although both types of measurement error are problematic,

systematic measurement error is a particularly serious problem because it provides an alternative explanation for the observed relationships between measures of different constructs that is independent of the one hypothesized” (Podsakoff et al. 2003, p.879). CMV can arise from various types of sources and can cause systematic measurement errors. Systematic errors may have a serious confounding effect on the research conclusion, regardless of its sources and may sometimes cause misunderstandings in the results (Podsakoff et al. 2003).

This research conducted a factor analysis for each of the two data sets, internal partners and external partners, to establish the dimensionality and the structural integrity of the models. We performed Harman’s single-factor test, to determine whether common method variance was likely to be present in the data, by gauging the proportion of total variance in the data sets associated with a single factor. We used the IBM-SPSS statistical package for this analysis. Ideally, this should be less than 0.5 (50%) of the variance explained by the one factor. Podsakoff et al. (2003) explained Harman’s single-factor test as follows: Harman’s single-factor test is the most commonly used method to check if the majority of the variance in measured variables can be explained by a single-factor. “The basic assumption of this technique is that if a substantial amount of common method variance is present, either (a) a single factor will emerge from the factor analysis or (b) one general factor will account for the majority of the covariance among the measures” (Podsakoff et al. 2003, p.889).

“A wide range of recommendations regarding sample size in factor analysis has been proposed. These guidelines typically are stated in terms of either the minimum necessary sample size, N , or the minimum ratio of N to the number of variables being analysed, p ” (MacCallum, Widaman, Zhang, & Hong 1999, p.84). The sample size recommended by previous researchers is wide, from 100 to 500. Gorsuch (1983) and Kline (1979) recommend at least 100 samples. Arrindell and van der Ende (1985) suggested that samples smaller than 100 might be adequate in some cases, such as 20-item questionnaires. Hatcher (1994) suggested that a sample should be more than 100, or five times the number of observed variables.

Although this research had only 125 responses as available data, this is considered a sufficient sample size for factor analysis, because it satisfies the minimum 100 data rule.

As with the pilot study, we adopted PLS-SEM for the analysis of the formal survey, and used the two-phase approach advocated by Hulland (1999) to analyse the fitness of the model.

In the first phase, we evaluated the measurement model. We established the indicator reliability by checking that the outer loading of the indicator, on its designated latent variable, had a score of 0.7 or higher. In the case of exploratory research, 0.4 or higher is acceptable (Hulland 1999). We appraised the internal consistency reliability for the proposed latent variables using the composite reliability and Cronbach's α coefficient. The internal consistency reliability should be 0.7 or higher for confirmatory analyses. In exploratory studies 0.6 or higher is acceptable (Bagozzi & Yi 1988).

The criterion of Fornell-Larcker (1981) has been commonly used to assess the degree of shared variance between the latent variables of a model. According to this criterion, Average Variance Extracted (AVE) and Composite Reliability (CR) can assess the convergent validity of the measurement model. AVE measures the level of variance captured by a construct versus the level due to measurement error, values above 0.7 are considered very good, whereas, the level of 0.5 is acceptable. CR is a less biased estimate of reliability than Cronbach's α ; the acceptable value of CR is 0.7 and above.

The convergent validity of the measurement model can be determined by the average variance extracted (AVE) for each latent variable in the model. The level should be more than 0.5 for acceptance (Fornell & Larcker 1981). The discriminant validity can be established by the square root of AVE for each latent variable. If this figure is higher than any correlation of the other latent variables, the discriminant validity is confirmed (Fornell & Larcker 1981).

In the second phase, we evaluated the structural model. We appraised the coefficient of determination, R^2 , for each latent variable for the explanation of target endogenous variable variance by other latent variables. We also evaluated the inner model-path's coefficient sizes and significance to indicate how strong the effect of one variable was on another. The weight of the different path coefficients permitted a ranking of their relative importance.

We also analysed the hypothesised mediation effects, using the bootstrapping procedure advocated by Preacher and Hayes (2008). First, this research checked whether the

necessary conditions for mediation, as advocated by Baron and Kenny (1986), were present for each of the proposed mediation effects. Second, we determined the size of the variance accounted for (VAF) because of the indirect effect of the mediator in relation to the total variance (Hair et al. 2014).

The researcher executed single-tailed t-tests for the inner model paths, as he posited each relationship to be directional. The corresponding Z-critical value is 1.645 with the corresponding significance level of 0.05.

When performing PLS path modelling, some general guidelines should be followed. It is important to think over the background of the research model, the psychometric properties of variables, and the impact of their relationship to determine the appropriate sample size (Kwong & Wong 2013). Hair et al. (2014) suggested following factors to determine the sample size in PLS-SEM:

1. The significance level for testing the model fit and parameter estimates,
2. The statistical power for these tests,
3. The minimum coefficient of determination (R^2 values) for a latent variable present in the model, and
4. The maximum number of paths exerting an impact on a latent variable.

As a rough guideline, the minimum sample size in a PLS-SEM analysis should be equal or the larger of the following ten times rule (Hair et al. 2014):

1. Ten times the largest number of formative indicators used to measure such a construct, or
2. Ten times the largest number of structural paths directed at any construct in the structural model (Barclay, Higgins, & Thompson 1995).

In this study (see Figure 7 on page 93), there are four possible main structural paths between social capital, organisational ambidexterity, knowledge transfer, and the Sogoshosha's core competence. Thus, the minimum sample size required for PLS-SEM analysis was forty, based on this rule.

Cohen (1992) provided more elaborate recommendations that also took statistical power and effect sizes into account (see Table 9). According to this table, if one looks at the standard level for the validation of models, namely a significance level (alpha) of 0.05, statistical power of 0.8 and a minimum R^2 value of 0.1, the required sample size is $N=137$. If this study has a good fit with R^2 values between 0.25 and 0.49, this requirement can be relaxed to around 65. Our fitted SEM for the internal partner model had a minimum R^2 value of 0.12 for the OA construct (see Figure 8 on page 106). Therefore, the R^2 range from 0.10 to 0.25 was relevant for this study and we were able to use a smaller sample, comprising of 111 cases, when testing with a level of significance of 0.1.

The 125 cases were slightly below the sample size recommended by Cohen (1992) at the significant level of 0.05, and, so could lead to an underpowered analysis based on factor analysis and PLS-SEMing. Notwithstanding this, these data were shown to be robust and consistent across the three distinct collection groups: the pilot data, the data collected through the professional marketing company, and the additional data collected from online questionnaires distributed to colleagues of the researcher.

Maximum Number of Impacting Paths on a Construct	Significance Level			
	5%		10%	
	Minimum R^2		Minimum R^2	
	0.10	0.25	0.10	0.25
4	137	65	111	53

Table 9: Recommended Sample Size in PLS-SEM for a Statistical Power of 80%

Source: Cohen (1992)

5.5 Summary

In this chapter, we have discussed the main methodological issues associated with data accessibility and the findings of the pilot study. In order to obtain desirable responses, we generated questionnaires in Japanese through back translation between English and Japanese, and with the support of the researcher's bilingual colleague. We distributed these questionnaires to the respondents by e-mail or via an online system. The sample data of respondents worked either for the Marubeni Corporation, where the researcher also works, or an alternative Sogoshosha, having been recruited, at random, by the professional marketing company. After an analysis of the pilot study results, the questionnaire and research structure were modified and refined.

PLS-SEM was performed for the data analysis in both the pilot study and the formal survey. We applied Harman's single-factor test to check the common method variance in this formal survey model, using the IBM-SPSS statistical package, and to establish the dimensionality and structural integrity of the model.

The next chapter presents the results of the data analysis.

Chapter 6. Results

6.1 Factor Analysis

Three types of factor analysis were conducted by fitting to one, nine, and ten factors in the model. This research structure has nine first-order constructs (see Figure 6 on page 70). A single factor checks the common method variance; nine factors investigate the fit of the model and the dimensionality in the data and ten factors show the improvement in fit associated with a slightly more complex model. The IBM-SPSS package gave the following results for this factor analysis (see Table 10 and Table 11).

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.037	40.878	40.878	11.037	40.878	40.878
9	0.613	2.269	81.940	0.613	2.269	81.940
10	0.591	2.190	84.130	0.591	2.190	84.130

Table 10: Total Variance for the Internal Partners Model

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.353	42.048	42.048	11.353	42.048	42.048
9	0.615	2.276	82.154	0.615	2.276	82.154
10	0.541	2.004	84.158	0.541	2.004	84.158

Table 11: Total Variance for the External Partners Model

The total variance accommodated by a single factor is 40.88% for internal partners. For external partners it is 42.05%. Both cases are less than 50%, meeting the Harman criterion. In both internal and external partner models, the nine-factor model accounts for a sufficient proportion of the variance (81.9% and 82.2%, respectively), which is highly acceptable. In addition, the ten-factor model does not significantly increase the accuracy over the nine-factor model. These results suggest that there is no common method variance in either the internal or the external partner data, and that a nine-factor model is sufficiently parsimonious to model the variation in the data.

It is thus possible to confirm the dimensionality and the correlation of the first-order constructs (knowledge transfer; the relational and cognitive dimensions of social capital;

the exploitative, explorative, and balancing dimensions of organisational ambidexterity; and the global, diversity, and historical dimensions of the Sogoshosha's core competence) in the model with its structural integrity.

6.2 PLS-SEM Analysis

This research adopted a two-phase approach to the validation of the two structural equation models, internal partnerships and external partnerships. This section presents the results of the measurement model first, followed by those for the structural model for both internal and external partnerships cases.

6.2.1 Internal Partnerships (Measurement Model)

1) Indicator reliability

It can be seen that all of the indicators have individual indicator reliability values higher than the preferred level of 0.7, with the exception of EXPLOI-2, which has an acceptable loading (0.677). This is due to its being a marginal deficiency and there are theoretical reasons for its continued inclusion in the model (see Table 12).

	relational	cognitive	KT	exploit	explore	balance	global	diversity	history
INT-RE1	0.883	0.619	0.569	0.216	0.256	0.307	0.403	0.405	0.423
INT-RE2	0.947	0.682	0.656	0.204	0.144	0.191	0.479	0.383	0.409
INT-RE3	0.924	0.708	0.677	0.071	0.076	0.081	0.520	0.323	0.401
INT-CO1	0.594	0.844	0.505	0.266	0.194	0.142	0.369	0.309	0.325
INT-CO2	0.701	0.880	0.769	0.271	0.241	0.274	0.460	0.485	0.443
INT-CO3	0.470	0.714	0.565	0.231	0.313	0.353	0.362	0.375	0.374
INT-KT1	0.529	0.579	0.841	0.280	0.288	0.329	0.415	0.493	0.420
INT-KT2	0.679	0.737	0.863	0.177	0.207	0.206	0.531	0.421	0.395
INT-KT3	0.545	0.604	0.843	0.206	0.261	0.357	0.403	0.382	0.438
EXPLOI-1	0.242	0.341	0.242	0.795	0.648	0.561	0.293	0.526	0.392
EXPLOI-2	0.064	0.093	0.148	0.677	0.283	0.355	0.213	0.292	0.219
EXPLOI-3	-0.008	0.187	0.143	0.702	0.250	0.199	0.099	0.161	0.103
EXPLOR-1	0.175	0.356	0.243	0.403	0.716	0.518	0.432	0.511	0.399
EXPLOR-2	0.109	0.251	0.241	0.579	0.903	0.784	0.333	0.587	0.555
EXPLOR-3	0.159	0.180	0.267	0.529	0.896	0.719	0.442	0.611	0.546
BAL-1	0.221	0.301	0.404	0.523	0.760	0.890	0.473	0.612	0.599
BAL-2	0.137	0.255	0.263	0.484	0.684	0.905	0.408	0.554	0.562
BAL-3	0.189	0.253	0.244	0.477	0.701	0.853	0.463	0.568	0.519
GLOB-1	0.487	0.410	0.463	0.188	0.435	0.456	0.937	0.646	0.696
GLOB-2	0.530	0.456	0.506	0.209	0.389	0.388	0.934	0.630	0.710
GLOB-3	0.314	0.435	0.441	0.438	0.424	0.517	0.764	0.587	0.500
DIV-1	0.377	0.404	0.413	0.411	0.582	0.579	0.731	0.877	0.760
DIV-2	0.307	0.491	0.458	0.471	0.503	0.428	0.452	0.763	0.508
DIV-3	0.330	0.346	0.431	0.406	0.622	0.634	0.567	0.885	0.719
HIST-1	0.384	0.387	0.416	0.347	0.564	0.560	0.606	0.708	0.892
HIST-2	0.371	0.464	0.432	0.391	0.547	0.601	0.634	0.704	0.902
HIST-3	0.438	0.398	0.462	0.250	0.491	0.537	0.702	0.718	0.879

Table 12: Indicator Loadings for the Internal Partners Model

KT: knowledge transfer, INT: internal, RE: relational, CO: cognitive, EXPLOI: exploit, EXPLOR: explore, BAL: balance, GLOB: global, DIV: diversity, HIST: history

2) Internal consistency reliability

The composite reliability (CR) measures have a minimum of 0.770 for the exploitative construct and a maximum of 0.942 for the relational construct. All are larger than the 0.7 baseline suggested by Bagozzi and Yi (1988) and smaller than 0.95, which is not necessarily a desirable level because of the possibility that the items may be redundant (Streiner 2003). Therefore, a high level of internal consistency reliability is demonstrated amongst all the latent variables (see Table 13).

3) Convergent validity

The average variance extracted (AVE) shows a minimum of 0.527 for organisational ambidexterity (OA) and a maximum of 0.843 for the relational construct, thus all the figures are above the 0.5 threshold defined by Bagozzi and Yi (1988) (see Table 13); and the convergent validity of the latent variables for these data is confirmed.

	AVE	CR	R Square
SC	0.654	0.918	
KT	0.721	0.886	0.604
OA	0.527	0.904	0.120
CC	0.630	0.938	0.576
relational	0.843	0.942	0.891
cognitive	0.665	0.855	0.837
exploit	0.528	0.770	0.567
explore	0.710	0.879	0.875
balance	0.780	0.914	0.868
global	0.778	0.913	0.789
diversity	0.712	0.881	0.834
history	0.794	0.920	0.862

Table 13: Internal Consistency Reliability and Convergent Validity for the Internal Partners Model

SC: social capital, KT: knowledge transfer, OA: organisational ambidexterity, CC: core competence, AVE: average variance extracted, CR: composite reliability

4) Discriminant validity

The square root of the AVE, for each latent variable, is a minimum of 0.727 for the exploitative latent variable and a maximum of 0.918 for the relational latent variable (see Table 14). All the square roots of the AVE for each latent variable are greater than the

correlation of the variable with any remaining latent variables, which was suggested by Fornell and Larcker (1981) as a satisfactory condition for discriminant validity. Consequently, this result indicates that discriminant validity is established.

The same conclusion was derived by checking the cross-loadings of the indicator. As shown in Table 12 on page 101, each indicator's loading, on its designated construct, is higher its entire cross-loadings with the other constructs, and they are all above the preferred threshold of 0.70, except for EXPLOI-2 (0.677). However, 0.677 is only slightly below the critical value. Since the criteria for reliability and convergent validity are met, EXPLOI-2 can be retained. Therefore, discriminant validity is also established in this model.

Regarding the dimensional analysis, each dimension of CC (global, diversity, and history) correlates sufficiently with the other dimensions, whereas two dimensions of OA (exploitative and balancing) are relatively weak (0.561) and the other two dimensions of OA (exploitative and explorative) are also relatively low (0.604) (see Table 14). They are not as high as the correlations with the other constructs. This is equally true in the external partner model, where there is no distinction between internal and external partners for CC and OA. We asked the respondents to describe their overall impression of the company where they work, without distinction of internal and external partners concerning CC and OA.

	KT	balance	cognitive	diversity	exploit	explore	global	history	relational
KT	0.849								
balance	0.346	0.883							
cognitive	0.758	0.306	0.816						
diversity	0.508	0.655	0.480	0.844					
exploit	0.259	0.561	0.314	0.502	0.727				
explore	0.295	0.810	0.299	0.677	0.604	0.843			
global	0.533	0.508	0.489	0.703	0.302	0.469	0.882		
history	0.491	0.635	0.467	0.797	0.369	0.599	0.727	0.891	
relational	0.692	0.207	0.730	0.402	0.176	0.170	0.510	0.447	0.918

Table 14: Discriminant Validity for the Internal Partners Model

KT: knowledge transfer

The measure shows the square root of the average variance extracted (AVE) for each latent variable. The square root of the AVE values is shown along the lead diagonal. All

the square roots of the AVE values are higher than the corresponding latent variables' correlations with the remaining latent variable.

6.2.2 Internal Partnerships (Structural Model)

1) Explanation of the target endogenous variable's variance

The coefficient of multiple determination, R^2 , is 0.604 for knowledge transfer (KT). This means that social capital (SC) explains 60.4% of the variance in KT. Organisational ambidexterity (OA) and KT together explain 57.6% of the variance of core competence (CC) as well; however, SC and KT account for only 12% of the variance of OA (see Figure 8 on page 105), which is an acceptable level according to the threshold reported by Falk and Miller (1992).

2) Inner model-path coefficient values

As a rule of thumb, for sample sizes of up to 1,000 observations, path coefficients with standardised values above 0.20 are usually significant and those with values below 0.10 are usually not significant (Hair et al. 2014). In theory, the p-value is widely used in statistical hypothesis testing, specifically in null hypothesis significance testing. It is a continuous measure of evidence, but in practice it is typically categorised approximately into statistically significant, statistically highly significant and statistically extremely significant at conventional levels, with cut-offs at $*=p<0.05$, $**=p<0.01$ and $***=p<0.001$ (Cramer & Howitt 2004).

The inner model for the second-order SC construct suggested that it has a significant effect on KT ($\beta=0.777***$), but no effect on OA ($\beta=0.056$ NS). KT shows a significant effect both on OA ($\beta=0.301*$) and on CC ($\beta=0.373***$), while OA indicates a large effect on CC ($\beta=0.545***$), where $*=p<0.05$, $**=p<0.01$, and $***=p<0.001$ (see Figure 8 and Table 15 on page 106). This means that all the hypotheses except *Hypothesis H1* in section 4.2 are verified by these results.

Fitting the model to the internal partner data (Figure 8 and Table 15) showed that the second-order SC has strong path coefficients to its two dimensions (cognitive: $\beta=0.915***$, relational: $\beta=0.944***$) as well as the OA (exploit: $\beta=0.753***$, explore: $\beta=0.935***$, balance: $\beta=0.932***$) and CC cases (global: $\beta=0.888***$, diversity: $\beta=0.913***$, history: $\beta=0.928***$).

We therefore conclude that each latent variable has a significant path coefficient, except that for the relationship between SC and OA which has a path coefficient value of less than $\beta=0.1$, and which is not significant at the $\alpha=0.05$ level.

3) Mediating effect

Following Baron and Kenny (1986), if M mediates an X–Y causal relationship (see Figure 4 and Figure 5 on page 69), then:

1. X significantly predicts Y (path c is significant)
2. X significantly predicts M (path a is significant)
3. M significantly predicts Y in the presence of X (path b is significant)
4. When M is in the model, the effect of X on Y is significantly reduced (c' is less than c)

In order to investigate the proposed mediating effects, this research adopted the bootstrapping approach advocated by Preacher and Hayes (2008) and followed the procedure according to Hair et al. (2014), below.

1. Assess the significance of the direct effect (path c), without including the mediator variable in the PLS path model.
2. If the direct effect is not significant, it can be described as having no mediating effect. If the direct effect is significant, include the mediator variable in the PLS path model and assess the significance of the indirect effect (path a, path b).
3. If the indirect effect is not significant, it can be concluded that no mediating effect is present. If the indirect effect is significant, assess the variance accounted for (VAF).

SC has a significant direct effect on OA in the absence of KT ($\beta=0.290$) (see Appendix 6.1). After including KT as the mediator variable, SC significantly predicts KT ($\beta=0.777$). KT also significantly predicts OA ($\beta=0.301$) (see Figure 8 and Table 15). The VAF of KT can thus be assessed as follows:

$$\text{VAF of KT: } (0.777 \times 0.301) / (0.777 \times 0.301 + 0.290) = 0.446$$

This figure is larger than 0.20 and less than 0.80; therefore, it indicates that KT is a partial mediator for SC to OA in this formula (Hair et al. 2014).

Conversely, Zainudin (2010) and Hair et al. (2014) advocated the following. Full mediation occurs if the inclusion of the mediator variable drops the relationship between the independent variable and the dependent variable to almost zero. SC has a not significant effect on OA (0.056) in the presence of KT as a mediator, and it is almost zero. Therefore, it is possible to say that KT has a full mediation effect on SC to OA.

KT has a significant direct effect on CC in the absence of OA ($\beta=0.337$) (see Appendix 6.2). After including OA as the mediator variable, KT significantly predicts OA ($\beta=0.301$). OA significantly predicts CC in the presence of KT ($\beta=0.545$) (see Figure 8 and Table 15). Thus, the VAF of OA was assessed as follows:

$$\text{VAF of OA: } (0.301 \times 0.545) / (0.301 \times 0.545 + 0.337) = 0.327$$

This figure is larger than 0.20 and less than 0.80, and KT also has a strong effect on CC (0.373) in the presence of OA as a mediator. Thus, we conclude that OA is a partial mediator for KT to CC (Hair et al. 2014; Zainudin 2010).

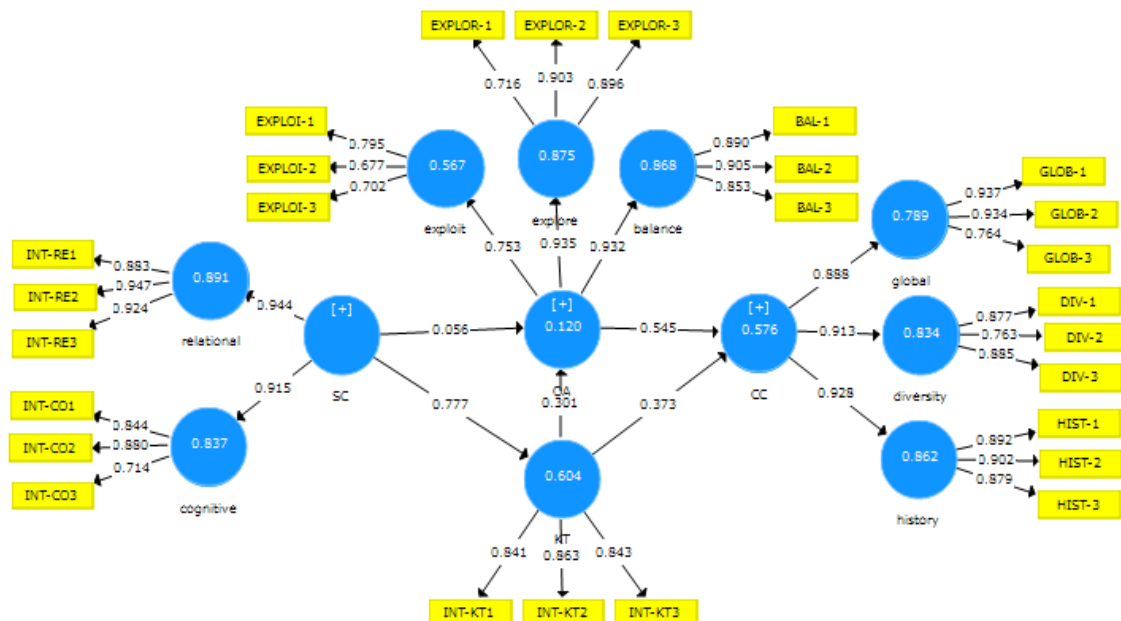


Figure 6: Fitted Paths for the Structural Equation Model (Internal Partners)

SC: social capital, KT: knowledge transfer, OA: organisational ambidexterity, CC: core competence, INT: internal, RE: relational, CO: cognitive, EXPLOI: exploit, EXPLOR: explore, BAL: balance, GLOB: global, DIV: diversity, HIST: history

4) Checking the structural path significance

Using a one-tailed t-test with a significance level of 5%, the path coefficient is significant if the t-statistics are larger than 1.645. Table 15 shows that only the SC to OA connection ($t=0.345$, $p>0.05$) is not significant. All the other path coefficients in the inner model are statistically significant. The low connection figure of SC to OA is due to the full mediating effect by KT (see Table 15).

5,000 sample data

	Path Coefficients	t Statistics
CC -> diversity	0.913***	58.667
CC -> global	0.888***	33.715
CC -> history	0.928***	64.586
KT -> CC	0.373***	4.283
KT -> OA	0.301*	1.828
OA -> CC	0.545***	7.240
OA -> balance	0.932***	75.451
OA -> exploit	0.753***	16.620
OA -> explore	0.935***	70.218
SC -> KT	0.777***	18.271
SC -> OA	0.056 NS	0.345
SC -> cognitive	0.915***	43.382
SC -> relational	0.944***	97.453

NS=not significant

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

Table 15: Significance Testing Results of the Internal Partners Model

CC: core competence, KT: knowledge transfer, OA: organisational ambidexterity, SC: social capital

6.2.3 External Partnerships (Measurement Model)

1) Indicator reliability

As shown in Table 16, all the indicators for the external partnership variables had individual indicator reliability values higher than the usual reference level of 0.7, with the exception of EXPLOI-2. This had an acceptable loading (0.679) due to its being a marginal deficiency, and there are theoretical reasons for its continued inclusion in the model (see Table 16).

	relational	cognitive	KT	exploit	explore	balance	global	diversity	history
EX-RE1	0.858	0.531	0.470	0.334	0.383	0.513	0.364	0.359	0.463
EX-RE2	0.946	0.578	0.596	0.244	0.295	0.413	0.520	0.458	0.535
EX-RE3	0.894	0.625	0.624	0.208	0.228	0.302	0.525	0.444	0.496
EX-CO1	0.484	0.854	0.479	0.369	0.340	0.299	0.378	0.428	0.382
EX-CO2	0.662	0.906	0.676	0.301	0.358	0.364	0.403	0.413	0.379
EX-CO3	0.495	0.812	0.607	0.274	0.294	0.329	0.252	0.336	0.347
EX-KT1	0.538	0.539	0.879	0.364	0.307	0.309	0.354	0.428	0.408
EX-KT2	0.604	0.670	0.920	0.325	0.315	0.327	0.368	0.466	0.426
EX-KT3	0.524	0.615	0.856	0.223	0.260	0.314	0.238	0.316	0.340
EXPLOI-1	0.252	0.344	0.263	0.794	0.648	0.561	0.293	0.526	0.392
EXPLOI-2	0.217	0.193	0.295	0.679	0.283	0.355	0.213	0.292	0.219
EXPLOI-3	0.132	0.217	0.191	0.703	0.250	0.199	0.099	0.161	0.102
EXPLOR-1	0.294	0.368	0.289	0.403	0.716	0.518	0.432	0.511	0.399
EXPLOR-2	0.256	0.293	0.267	0.578	0.903	0.784	0.333	0.587	0.555
EXPLOR-3	0.303	0.335	0.296	0.528	0.896	0.719	0.442	0.611	0.546
BAL-1	0.435	0.416	0.476	0.523	0.760	0.890	0.473	0.612	0.599
BAL-2	0.413	0.332	0.249	0.484	0.684	0.905	0.408	0.554	0.562
BAL-3	0.343	0.272	0.212	0.476	0.701	0.853	0.463	0.568	0.519
GLOB-1	0.504	0.377	0.301	0.188	0.435	0.456	0.937	0.646	0.696
GLOB-2	0.498	0.379	0.341	0.209	0.389	0.388	0.934	0.630	0.710
GLOB-3	0.377	0.310	0.327	0.438	0.424	0.517	0.764	0.587	0.500
DIV-1	0.428	0.338	0.288	0.411	0.582	0.579	0.731	0.877	0.760
DIV-2	0.341	0.458	0.444	0.471	0.503	0.428	0.452	0.763	0.508
DIV-3	0.411	0.388	0.458	0.405	0.622	0.634	0.567	0.886	0.719
HIST-1	0.435	0.331	0.347	0.347	0.564	0.560	0.606	0.708	0.892
HIST-2	0.466	0.417	0.369	0.390	0.547	0.601	0.634	0.704	0.902
HIST-3	0.578	0.398	0.467	0.250	0.491	0.537	0.702	0.718	0.879

Table 16: Indicator Loadings for the External Partners Model

KT: knowledge transfer, EX: external, RE: relational, CO: cognitive, EXPLOI: exploit, EXPLOR: explore, BAL: balance, GLOB: global, DIV: diversity, HIST: history

2) Internal consistency reliability

The composite reliability (CR) has a minimum of 0.770 for the exploitative latent variable and a maximum of 0.938 for core competence (CC) (see Table 17). This means that all the figures are larger than the 0.7 baseline and smaller than 0.95, so a high level of internal consistency reliability is demonstrated among all the latent variables.

3) Convergent validity

The average variance extracted (AVE) for the latent variables is a minimum of 0.527 for organisational ambidexterity (OA) and a maximum of 0.810 for the relational latent variable (see Table 17), so all the figures are above the 0.5 threshold for each latent variable, and therefore convergent validity is confirmed.

	AVE	CR	R Square
SC	0.635	0.912	
KT	0.784	0.916	0.526
OA	0.527	0.904	0.222
CC	0.630	0.938	0.504
relational	0.810	0.927	0.835
cognitive	0.737	0.894	0.808
exploit	0.528	0.770	0.568
explore	0.710	0.879	0.874
balance	0.780	0.914	0.868
global	0.778	0.913	0.787
diversity	0.712	0.881	0.835
history	0.794	0.920	0.863

Table 17: Internal Consistency Reliability and Convergent Validity for the External Partners Model

SC: social capital, KT: knowledge transfer, OA: organisational ambidexterity, CC: core competence, AVE: average variance extracted, CR: composite reliability

4) Discriminant validity

The square root of the AVE for each latent variable is a minimum of 0.727, for the exploitative latent variable, and a maximum of 0.900, for the relational latent variable. All the square root values of the AVE, for each latent variable, are greater than the correlation of the variable with any remaining latent variable (see Table 18); therefore, this result indicates that discriminant validity is established.

As shown in Table 16 on page 107, all the indicators' loadings on a construct are higher than the total of their cross-loadings with the other constructs and above the preferred threshold of 0.70, except for EXPLOI-2 (0.679). However, 0.679 is only slightly below the critical value. Since the criteria for reliability and convergent validity are met, EXPLOI-2 can be retained. Therefore, it is also possible to conclude that discriminant validity is established in this model from the cross-loading results.

	KT	balance	cognitive	diversity	exploit	explore	global	history	relational
KT	0.885								
balance	0.357	0.883							
cognitive	0.688	0.387	0.859						
diversity	0.459	0.655	0.457	0.844					
exploit	0.345	0.561	0.365	0.501	0.727				
explore	0.333	0.810	0.386	0.677	0.604	0.843			
global	0.364	0.508	0.404	0.703	0.302	0.469	0.882		
history	0.444	0.635	0.430	0.797	0.368	0.599	0.727	0.891	
relational	0.629	0.451	0.643	0.469	0.288	0.333	0.525	0.554	0.900

Table 18: Discriminant Validity for the External Partners Model

KT: knowledge transfer

The measure shows the square root of the average variance extracted (AVE) for each latent variable. The square root of the AVE values is shown along the lead diagonal. All the square roots of the AVE values are higher than the corresponding latent variables' correlations with the remaining latent variable.

6.2.4 External Partnerships (Structural Model)

1) Explanation of the target endogenous variable's variance

The coefficient of multiple determination, R^2 , is 0.526 for knowledge transfer (KT). This means that social capital (SC) moderately explains 52.6% of the variance in KT. Organisational ambidexterity (OA) and KT, together, explain 50.4% of the variance of core competence (CC) as well; however, SC and KT determine only 22.2% of the variance of OA (see Figure 9).

2) Inner model-path coefficient values

As shown in Figure 9 on page 110 and Table 19 on page 111, an analysis of the inner model fit suggested that the second-order SC construct has a significant effect on both KT ($\beta=0.725^{***}$) and OA ($\beta=0.388^{**}$). KT shows a significant effect on CC ($\beta=0.240^{***}$) but only a weak effect on OA ($\beta=0.107$ NS), while OA indicates a significant effect on CC ($\beta=0.581^{***}$) (Hair et al. 2014). This means that all the hypotheses in section 4.4, except *Hypothesis H3*, are verified by these results.

The second-order SC also has strong coefficient paths to its two dimensions (relational: $\beta=0.914^{***}$, cognitive: $\beta=0.899^{***}$), as does OA to its dimensions (exploit: $\beta=0.753^{***}$, explore: $\beta=0.935^{***}$, balance: $\beta=0.932^{***}$) and CC (global: $\beta=0.887^{***}$, diversity: $\beta=0.914^{***}$, history: $\beta=0.929^{***}$) (see Figure 9 and Table 19).

We conclude that each latent variable has a significant path coefficient, except for the weak relationship between KT and OA, with a score of around 0.11.

3) Mediating effect

We investigated the mediating effect of the latent variables, according to the bootstrapping approach (Preacher & Hayes 2008) and the corresponding procedure of Baron and Kenny (1986).

SC has a significant direct effect on OA in the absence of KT ($\beta=0.467$) (see Appendix 6.3). After including KT as the mediator variable, SC significantly predicts KT ($\beta=0.725$); however, KT does not have a significant effect on OA ($\beta=0.107$) (see Figure 9 and Table 19). Therefore, we can conclude that KT has no mediation effect on the path coefficient from SC to OA, as the relationship between KT and OA is not significant (Baron & Kenny 1986).

KT has a non-significant indirect effect on OA ($\beta=0.107$) (see Figure 9 and Table 19). Therefore, it is possible to say that OA also does not have a mediating effect on the path from KT to CC.

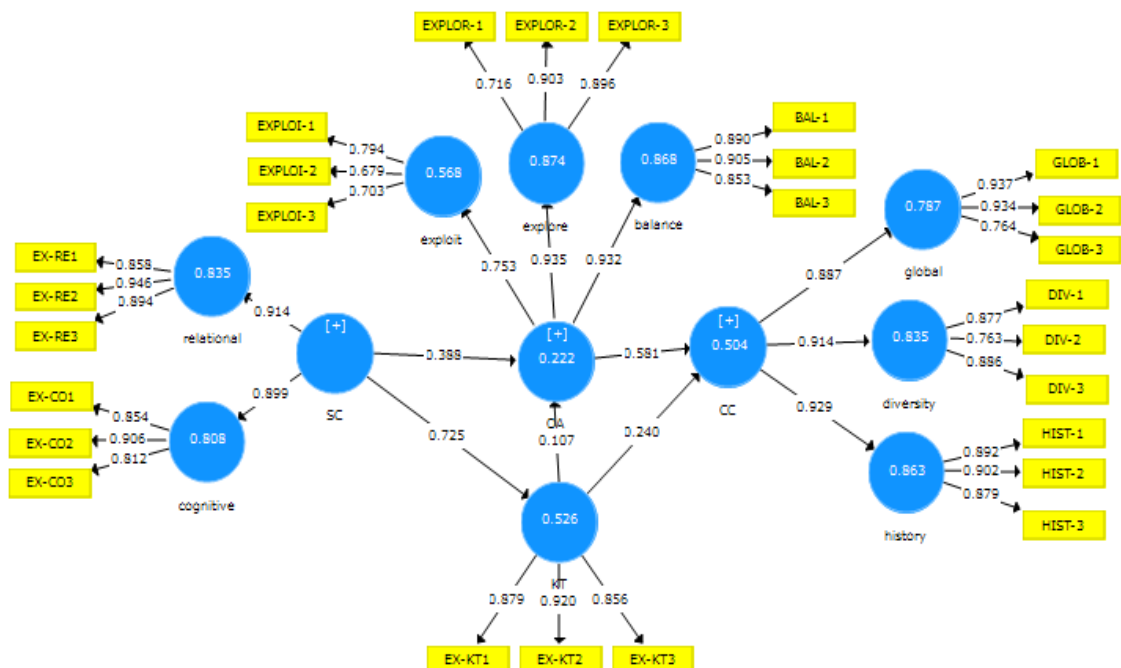


Figure 7: Fitted Paths for the Structural Equation Model (External Partners)

SC: social capital, KT: knowledge transfer, OA: organisational ambidexterity, CC: core competence, EX: external, RE: relational, CO: cognitive, EXPLOI: exploit, EXPLOR: explore, BAL: balance, GLOB: global, DIV: diversity, HIST: history

3) Checking the structural path significance

Using a one-tailed t-test with a significance level of 5%, the path coefficient is significant if the t-statistics are larger than 1.645. The table shows that only the KT to OA connection ($t=0.748$, $p>0.05$) is not significant. All the other path coefficients in the inner model are statistically significant (see Table 19).

5,000 sample data

	Path Coefficients	t Statistics
CC -> diversity	0.914***	61.842
CC -> global	0.887***	32.281
CC -> history	0.929***	64.914
KT -> CC	0.240***	2.573
KT -> OA	0.107 NS	0.748
OA -> CC	0.581***	7.011
OA -> balance	0.932***	78.243
OA -> exploit	0.753***	16.830
OA -> explore	0.935***	68.311
SC -> KT	0.725***	12.453
SC -> OA	0.388**	3.174
SC -> cognitive	0.899***	37.055
SC -> relational	0.914***	53.681

NS=not significant

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

Table 19: Significance Testing Results of the External Partners Model

CC: core competence, KT: knowledge transfer, OA: organisational ambidexterity, SC: social capital

6.3 Hypotheses Testing

In this section we discuss the results of the hypothesis testing for both internal and external partnerships, based on the one-tailed t-test results for checking structural path significance that were conducted in subsections 6.2.2 and 6.2.4.

Hypothesis	Internal	External
	t-statistics	t-statistics
H1: SC-->OA	0.345 NS	3.174**
H2: SC-->KT	18.271***	12.453***
H3: KT-->OA	1.828*	0.748 NS
H4: OA-->CC	7.240***	7.011***

NS=not significant

* p < 0.05 ** p < 0.01 *** p < 0.001

Table 20: Hypotheses Testing

SC: social capital, OA: organisational ambidexterity, KT: knowledge transfer, CC: core competence

Hypothesis H1. Social capital is positively related to organisational ambidexterity for the Sogoshosha.

According to Table 20, internal partnerships do not show a significant relationship between social capital (SC) and organisational ambidexterity (OA) for the Sogoshosha ($t=0.345$, $p>0.05$). Conversely, external partnerships indicate significant relationships between them ($t=3.174$, $p<0.01$). According to these findings, Hypothesis H1 is not supported by the internal partnership model, but is supported by the external partnership model.

Hypothesis H2. Social capital is positively related to knowledge transfer for the Sogoshosha.

Table 20 shows a significant relationship between social capital (SC) and knowledge transfer (KT) for the Sogoshosha in both models (internal: $t=18.271$, $p<0.001$, external: $t=12.453$, $p<0.001$). Therefore, it can be concluded that Hypothesis H2 is supported by both models.

Hypothesis H3. Knowledge transfer is positively related to organisational ambidexterity for the Sogoshosha.

According to Table 20, internal partnerships show a significant relationship between knowledge transfer (KT) and organisational ambidexterity (OA) for the Sogoshosha ($t=1.828$, $p<0.01$). Conversely, external partnerships do not indicate a significant

relationship between them ($t=0.748$, $p>0.05$). These findings indicate that Hypothesis H3 is not supported by the external partnership model but is supported by the internal partnership model.

Hypothesis H4. Organisational ambidexterity is positively related to the Sogoshosha's core competence.

A significant relationship was found between organisational ambidexterity (OA) and core competence (CC) in both models from Table 20 (internal partnerships: $t=7.240$, $p<0.001$; external partnerships: $t=7.011$, $p<0.001$). Thus, Hypothesis H4 is supported by both models.

Hypothesis H5. Knowledge transfer mediates the functional relationship between social capital and organisational ambidexterity for the Sogoshosha.

We tested this hypothesis using the bootstrapping approach advocated by Preacher and Hayes (2008), and determined an indirect effect of mediation by VAF (Hair et al. 2014). Although the VAF of KT for SC to OA, in the internal partner case (see subsection 6.2.2), is higher than 0.20 and lower than 0.80 (0.446), KT was recognised as a full mediator for SC to OA because SC has a not significant effect on OA, in the presence of KT as a mediator ($\beta=0.056$) (Hair et al. 2014; Zainudin 2010). Conversely, external partnerships demonstrated that KT has no mediation effect on SC to OA. Thus, this hypothesis is only supported for internal partnerships.

All the hypotheses are thus supported, either completely or partially. Partial support cases are apparent for Hypothesis 1 (not supported for internal partnerships), Hypothesis 3 (not supported for external partnerships), and Hypothesis H5 (not supported for external partnerships). We will discuss these results in the next chapter.

6.4 Post-Hoc Analysis of the Control Variables

We conducted multiple analysis of covariance (MANCOVA) and analysis of covariance (ANCOVA) on the respective latent variable scores from the two fitted models, with the problem control variables as factors and concomitant variables, in order to understand whether they influence the constructs in the model. The following subsection explains

how the control variables were selected, the methodology of post-hoc testing, and its results.

6.4.1 Control Variables

In our questionnaire, the age, gender, number of years worked for the Sogoshosha, and current job area where the respondents worked were nominated as control variables based on the research by Chiu et al. (2006), Goold and Campbell (2003), and Jun (2009) (see Table 7 on page 91). Due to the restricted sample size (125 observations), we only tested two of the four control variables at each time, which were hypothesised to have an effect on the models, in order to maintain the statistical power of the research model. Problem latent variables on gender and current job were to be tested in these post-hoc tests, however, subsequent tests on age and the number of years worked for the company was performed according to the suggestions of several studies, as follows.

As described in section 4.4, Mom et al. (2009) investigated manager ambidexterity empirically from the perspective of formal structural and personal coordination mechanisms. Their findings showed that the top-down knowledge inflows (standardised and formalised information paths) of managers affect their exploitative activities strongly, although they have no positive effect on their explorative activities. Bottom-up knowledge inflows (horizontal and personal information paths) affect their explorative activities positively, although they have no strong effect on their exploitation activities (Mom et al. 2009). In their research, they selected a manager's age and tenure in the company and their current function as control variables of demographic factors. They expected that age and tenure in the company would have a strong effect on a manager's ambidexterity, in reference to a study by Tushman and O'Reilly (1996). They also postulated that a manager's tenure in their current function, with increasing levels of specialisation, would have a negative impact on a manager's ambidexterity with reference to the work of Birkinshaw and Gibson (2004). The results confirmed that age has a positive influence on a manager's ambidexterity. Tenure in the current function was also shown to have a negative effect on a manager's ambidexterity, and tenure in a firm was positively related to a manager's ambidexterity.

Glaser, Laibson, and Sacerdote (2002) analysed the relationship between social capital and age. They took organisational membership as a proxy for the stock of social capital. They concluded that social capital first rises and then falls with the age of members. Their

model predicted an inverted u-shaped profile for social capital over the life cycle of organisational member. Putnam (2000) showed a strikingly similar figure in his study of social capital, and this age relationship is well recognised in the social capital literature (Glaser et al. 2002).

In accordance with the above, we investigated the age and number of years worked for the Sogoshosha as the control variables for the post-hoc analysis, in order to test their effect on the two relevant latent variables in the research models: social capital and organisational ambidexterity for the Sogoshosha.

6.4.2 Post-Hoc Analysis

MANOVA deals with analyses in which more than one outcome variables is explained by one or more independent factors for the former. MANOVA does not support the use of metric variables as covariates. Dependent variables are typically treated as a set, because they need to be correlated. MANOVA uses one or more categorical independent variables as predictors, but, unlike ANOVA, there is more than one dependent variable. Whereas ANOVA tests the differences in means of the dependent variable for various categories of the independent variables, MANOVA tests the differences in the centroid (vector) of means of the multiple dependent variables, for various categories of the independent variables (Garson 2015).

This research selected two control variables, age and number of years worked for the Sogoshosha, which are independent nominal variables, by taking categorical measures, as shown in Table 7.

Age (years):

- | | | | | |
|----------|----------|----------|----------|----------|
| 1) 20~30 | 2) 31~40 | 3) 41~50 | 4) 51~60 | 5) > 60. |
|----------|----------|----------|----------|----------|

Number of years worked for the Sogoshosha:

- | | | | |
|---------|----------|----------|---------|
| 1) 1~10 | 2) 11~20 | 3) 21~30 | 4) > 30 |
|---------|----------|----------|---------|

Age may be correlated with social capital and organisational ambidexterity for the Sogoshosha, as dependent variables. The number of years worked for the Sogoshosha may only be related to organisational ambidexterity for the Sogoshosha. ANOVA

includes only one dependent variable, while the MANOVA method includes multiple dependent variables.

Thus, we applied MANOVA to investigate the relationship between age and the two dependent variables, social capital and organisational ambidexterity, using ANOVA for the relationship between worked years for the Sogoshosha and organisational ambidexterity. We used the IBM-SPSS statistical package for the analysis.

6.4.3 Results of the Post-Hoc Analysis

Effect		Value	F	Hypothesis df	Error df	Sig.
Age	Wilks' Lambda	0.609	1.085	48.000	379.545	0.332
	Hotelling's Trace	0.540	1.086	48.000	386.000	0.329

Table 21: Multivariate Test (Internal Partners Model: Age)

Source		Sum of Squares	df	Mean Square	F	Sig.	R Squared
Age	RELATIONAL	0.499	4	0.125	0.127	0.972	0.147
	COGNITIVE	4.613	4	1.153	1.297	0.276	0.224

Table 22: Test of Between-Subjects Effects (Internal Partners Model: Age and Social Capital)

Effect		Value	F	Hypothesis df	Error df	Sig.
Age	Wilks' Lambda	0.547	1.340	48.000	379.545	0.073
	Hotelling's Trace	0.680	1.366	48.000	386.000	0.060

Table 23: Multivariate Test (External Partners Model: Age)

Source		Sum of Squares	df	Mean Square	F	Sig.	R Squared
Age	RELATIONAL	2.313	4	0.578	0.585	0.674	0.138
	COGNITIVE	5.433	4	1.358	1.364	0.251	0.131

Table 24: Test of Between-Subjects Effects (External Partners Model: Age and Social Capital)

According to the results of the multivariate test in MANOVA (see Table 21 and Table 23), the p-value for age of Hotelling's trace is 0.06, for the external partner cases as the minimum figure. Although it has a not weak effect at the 0.06 level, all the p-values are above 0.05. The threshold of the p-value that indicates a significant effect is less than 0.05

(Garson 2015), and therefore it can be concluded that age has no significant effect on the model at the 0.05 level of significance, in both the internal and the external partner model.

Table 22 and Table 24 present the results of the analysis concerning the effect of the control variable (age) on the two dimensions of the dependent variable (social capital) for internal and external partners. The lower p-value for the internal partner cases was 0.276, and it was 0.251 for the external partner cases. Again, we find that age does not have a significant effect on social capital in either internal or external cases, by checking that all the p-values are higher than 0.05. The maximum figure of the coefficient of determination (R^2) is 0.224, in the effect of age on the cognitive dimension of social capital in the internal partner case. Being below the threshold of 0.25 is considered to be a weak contribution (Hair et al. 2014), and therefore the contribution to the adjusted coefficient of determination (R^2) is clearly insufficient for this to be considered as an important effect in both partner cases.

Source		Sum of Squares	df	Mean Square	F	Sig.	R Squared
Age	EXPLOIT	0.618	4	0.155	0.151	0.962	0.110
	EXPLORE	0.971	4	0.243	0.232	0.920	0.087
	BALANCE	0.767	4	0.192	0.186	0.945	0.099

Table 25: Test of Between-Subjects Effects (Age and Organisational Ambidexterity)

We collected data for organisational ambidexterity independently of partner type; thus, distinctive analysis was unnecessary.

Table 25 shows the results of the effect by age analysis on organisational ambidexterity. The minimum p-value is 0.920, and therefore it is possible to say that age has no significant effect on organisational ambidexterity. R^2 is 0.110 as the maximum figure. We can conclude that age has an insufficient (not important) effect on organisational ambidexterity.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	1.127 ^a	3	0.376	0.367	0.777
Intercept	0.005	1	0.005	0.004	0.947
Working Years	1.127	3	0.376	0.367	0.777
Error	123.877	121	1.024		
Total	125.004	125			
Corrected Total	125.004	124			

a. R Squared = 0.009 (Adjusted R Squared = -0.016)

Table 26: Test of Between-Subjects Effects (Working Years and Organisational Ambidexterity)

Table 26 shows the results of the ANOVA test concerning the effect that the number of years a person has worked for the Sogoshosha has on organisational ambidexterity. The p-value is 0.777, and there is no evidence of an effect of number of working years for the Sogoshosha on organisational ambidexterity.

Thus, we conclude that neither age nor number of working years for the Sogoshosha has a significant effect on social capital and organisational ambidexterity for the Sogoshosha in either internal or external partner cases.

6.5 Summary

The measurement instrument developed for this research demonstrated acceptable levels of reliability and validity for all the constructs in the research models. Two of the hypotheses developed based on the literature, however, proved not to have an overall significant effect in the models. Social capital for internal partnerships did not exert a direct impact on organisational ambidexterity for the Sogoshosha, nor did knowledge transfer from external partnerships have an effect on organisational ambidexterity for the Sogoshosha.

We conducted MANOVA and ANOVA post-hoc tests, to check the effect of age and number of years worked for the Sogoshosha on the dependent variables, as hypothesised in the literature. Our analyses showed no significant effect from these control variables. The next chapter interprets and discusses these results.

Chapter 7. Discussion and Conclusions

7.1 Introduction

This chapter discusses the findings of the research and its contributions to the extant literature. Section 7.2 discusses the results obtained from the model fittings and reflects further on the difference between internal and external partnerships. In section 7.3, the implications of the research are assessed by reviewing each research question, with section 7.4 appraising the theoretical and practical contributions of the research. As with most research, this study is not without limitations and these are discussed and evaluated in section 7.5 with suggested directions for future research that extend the findings of this study being presented in section 7.6.

7.2 Summary of the Findings

A major objective of this research was to investigate the dominant presence of the Sogoshosha in their various global economies and, specifically, to examine the effect of social capital (SC) on core competence (CC) for the Sogoshosha. It also intended to explore the effect of other factors: knowledge transfer (KT) and organisational ambidexterity (OA). Our findings suggested that SC is positively related to CC for the Sogoshosha through KT or OA. The strength of the path coefficient from SC to OA and KT to OA differed between internal and external partnerships for the Sogoshosha. Internal partnerships showed a stronger effect from KT on OA, while external partnerships showed a stronger effect from SC on OA.

This finding demonstrates the relative importance of knowledge sharing in increasing the level of organisational ambidexterity for the Sogoshosha from internal partners, while emphasising that it is more important to foster trust and to have a shared vision for external partners. This leads to enhanced performance for the Sogoshosha. These findings provide some answers to the initial question in section 1.1 on page 3

How have Sogoshosha survived and developed a dominant presence in the world business field, while developing a wide range of functions and a global business network?

Besides the theoretical contributions relating to a greater understanding of the workings of the Sogoshosha, our findings provide practical guidelines for the Sogoshosha and other

Asian business practitioners, which may enable them to improve their organisational performance through the effective use of their internal and external networks in their daily activities.

7.3 Discussion of the Results of the Research

7.3.1 General Discussion

Based on the previous chapter, we can confirm the strong reliability of indicators and internal consistency, as well as strong convergent validity and sufficient discriminant validity for both internal partner and external partner models in this research. Thus, these two structural equation models were validated by using the measurement model. The structural model and hypothesis testing showed strong relationships between social capital (SC) and knowledge transfer (KT) as well as organisational ambidexterity (OA) and core competence (CC) for the Sogoshosha, in both internal and external partnership cases.

Gooderham et al. (2011) implied that social capital (SC), such as goodwill, makes company resources available for individual use, which is substantially significant for the transfer of knowledge (KT) in the Sogoshosha. This is confirmed for both internal and external partners. The Sogoshosha also show confirmation of Weber and Weber's argument (2011) that corporate venture capital (CVC) managers who bridge the intra- and inter-organisational clusters in the network configuration (SC) have a positive effect on knowledge transfer (KT). It can be said that, in the process of expanding their internal and external personal networks, which are based on mutual trust, friendship, and goodwill with their partners (SC), the Sogoshosha are engaged in better knowledge transfer (KT) (Kawamura et al. 2001).

We proposed that successful firms are ambidextrous and generate superior performance based on their core competence as the integrated form of their valuable resources, dynamic capabilities, and competences (Eisenhardt & Martin 2000; Javidan 1998; Simsek 2009; Teece et al. 1997; Tushman & O'Reilly 1996) by simultaneously pursuing exploratory and exploitative innovation (OA) (Benner & Tushman 2003). Our study also confirms this to be the case for both internal and external partners of the Sogoshosha.

Social capital (SC), gained from internal partners, had no significant effect on OA for the Sogoshosha, although there was a significant effect from that created by external partnerships. We postulated that a Sogoshosha employee, at the centre of a business network which is supported by trust and a shared vision, probably has a greater potential to create simultaneous exploitation and exploration in a balanced manner (OA), based on previous studies (Ghoshal, Korine, & Szulanski 1995; Ibarra 1993; Leonard-Barton & Sinha 1993; Powell, Koput, & Smith-Doerr 1996). The cohesive attributes of explorative relationships (OA) are in trust and respect (SC) (Kauppila 2010). Kauppila (2010) suggested that the improvement of collaboration and shared perceptions (SC) between functions facilitates the change from exploration to exploitation of organisational ambidexterity (OA). The above proposals are confirmed, but only for external partners in this study of the Sogoshosha.

Knowledge transfer (KT) had no significant effect on OA for the Sogoshosha, in external partnerships, but had a significant effect in internal partnerships. Raisch et al. (2009) concluded that organisational ambidexterity (OA) depends on the ability to integrate internal and external knowledge (KT). However, in this study of the Sogoshosha, we confirm this proposal only in the internal partner case. KT was recognised as a full mediator for SC to OA in internal partnerships, while it showed no mediating effect in external partnerships.

Taking into account the above findings, we can presume the following. In internal partnerships the Sogoshosha's human networks and partnerships, with in their global business field (SC), are more strongly related to their knowledge sharing and exchanging (KT) than in the case of external partnership. Kawamura et al. (2001) also concluded that the Sogoshosha engaged in exchanges of information and vision based on mutual trust, friendship, and goodwill, which leads to the acquisition of valuable specific information.

The Sogoshosha's internal knowledge sharing and exchange, (KT), was positively related to their simultaneous business ability, such as maintaining their incumbent business while developing new business in a well-balanced manner (OA). This finally supports their fundamental flexibility to adapt to the rapidly changing market condition with their global network, diversified business and credibility (CC) through its mediating effect. Mom et al. (2007) found a functional relationship between internal knowledge sharing and

organisational ambidexterity. Raisch and Birkinshaw (2008) also argued that organisational ambidexterity is a key factor for core competence.

In the case of external partnerships, mutual trust and goodwill between the Sogoshosha and their partners in their global business field (SC) were positively related to their organisational ambidexterity. For example, developing new business while maintaining their incumbent business (OA) and external knowledge sharing and exchanging (KT). Kawamura et al. (2001) also pointed out that the Sogoshosha can step out of their supporting roles and engage in creative roles (OA) based on their intelligence network relationships (SC), thus mixing their own proprietary internal resources with external knowledge. The Sogoshosha's ambidextrous ability (OA) was strongly linked to their core competence: strategic flexibility toward the market with their diversified and global functions and prominent credibility (CC).

7.3.2 Comparison between Internal Partnerships and External Partnerships

As discussed in the previous sub section 7.1.1, social capital (SC) had no significant effect on organisational ambidexterity (OA) for the Sogoshosha in the internal partnership case; however, there was a significant effect in external partnerships. Knowledge transfer (KT) had no significant effect on OA for the Sogoshosha in external partnerships but had a significant effect in internal partnerships. Therefore, we can assert that there is a significant difference between internal and external partnership cases for SC and OA, as well as KT and OA.

Since there was no significant difference for SC and KT, and OA and core competence (CC), we conducted PLS-MGA (partial least squares multi-group analysis) to determine whether the PLS-SEM for this research differs significantly between the two groups – internal and external partners – relative to these latent variables. In this analysis, we applied the parametric approach and executed an independent sample t-test to compare the paths between groups. We selected the number of observations in internal and external partnerships, the path coefficients, and the standard errors of the parameter estimates of both partner cases as parameters, with reference to Keil, Saarinen, Tan, Tuunainen, Wassenaar, and Wei (2000).

In this procedure, using the Smart PLS package, we took 5,000 subsamples from the original sample, with replacements, to calculate bootstrap standard errors. The bootstrap

distribution is a reasonable approximation of an estimated coefficient's distribution in the population, and its standard deviation is a proxy for the parameter's standard error in the population. Generally, 5,000 bootstrap samples are recommended as sufficient to obtain accurate estimates of the population values (Hair et al. 2014).

Table 27 shows unequal variance between the two paths (SC→KT se1=0.043, se2=0.060; OA→CC se1=0.078, se2=0.084). Therefore, the calculation formula suitable for unequal variance was used (Hair et al. 2014) (see Appendix 7.1). It also demonstrates that there is no difference between the internal and the external partner models as both of the inner model constructs of these models show no statistically significance results from standard t-tests (SC→KT p=0.480, OA→CC p=0.752).

	Internal		External		Internal vs External			
	p1	se1	p2	se2	t Value	Significance Levels	p Value	df
SC-->KT	0.777	0.043	0.725	0.060	0.707	NS	0.480	223
OA-->CC	0.545	0.078	0.581	0.084	0.316	NS	0.752	244

NS=not significant

df= degrees of freedom

p1 and p2 are path coefficients of internal and external partner.

se1 and se2 are the standard error of p1 and p2.

Table 27: Comparison t-Tests of the Corresponding Paths in the Internal and the External Partners Models

SC: social capital, KT: knowledge transfer, OA: organisational ambidexterity, CC: core competence

One of the significant differences is the weaker relationship between SC and OA for internal partners than that for external partners, although we expected it to be stronger based on previous studies of social capital. Tsai and Ghoshal (1998) explained the importance of social interactions inside firms as a generator of common goal setting. Orton and Weick (1990) also focused on organisation members as those partners who can share and exchange their resources and knowledge in their study on social capital.

This difference is explained by the full mediating effect of KT on the SC to OA relationship for internal partners. Internal partners work in the same company and, thus, are closer and it is more convenient for sharing information and know-how (KT) with members (as averse to external partners). Therefore, the KT for the internal partnerships may have a stronger influence, which in turn leads to a higher corresponding regression

coefficient to the ambidextrous ability of the Sogoshosha (OA) (internal: $\beta=0.301$ /external: $\beta=0.107$) and their strategic flexibility as a core competence (CC) (internal: $\beta=0.373$ /external: $\beta=0.240$) (see Table 15 on page 106 and Table 19 on page 111).

External partnerships may sometimes provide new and innovative information in comparison to that from internal partnerships because of their disparate situations. However, KT still showed a weaker effect on OA and CC, as above, rather than that of internal partnerships. KT had no mediating effect on SC to OA in external partnerships. This difference in the effect of KT as a full mediator of the relationship between SC and OA for internal partnerships may be the reason for the smaller effect of KT on OA and CC for external partnerships.

Conversely, SC for the external partnership had a strong path coefficient to OA ($\beta=0.388$), although it was not significant in internal cases ($\beta=0.056$). This means that actual co-working with external partners, and relationships with them based on trust and a shared vision (SC), have a bigger effect on the Sogoshosha's ambidextrous ability (OA) than with internal partners.

Internal partners are already working in the same environment. In this regard, a high degree of SC conditions might be natural and, therefore, less significant in other variables than in external partnerships. Conversely, developing and maintaining SC with external partners might require more effort; however, once established, SC may bring about stronger effects directly on the exploitative, explorative, and balancing activities for the Sogoshosha (OA) in their continuously changing business environment, rather than KT in the internal partnership.

In the next section, these results are discussed with a specific focus on answering the research questions in section 4.1.

7.4 The Research Questions and the Implications of the Research

Question 1: How have the Sogoshosha developed their diversified businesses and maintained their incumbent businesses in a well-balanced manner, based on their global and widespread business network in the rapidly changing business circumstances?

Based on the previous discussions, it is possible to conclude that social capital (SC), such as business networks, trust, and shared visions (especially with external partners), contributes to the Sogoshosha's ambidextrous business ability and its development (OA). Conversely, the SC that is derived from internal partners does not directly support OA for the Sogoshosha but benefits it through knowledge transfer, such as knowledge sharing and exchange with internal partners (KT is a full mediator for SC to OA).

Question 2: How have the network and partner relationships of the Sogoshosha affected their business communications in the achievement of their global and diversified business operation?

Based on the previous discussions, we conclude that the global business network, trust, and shared vision with both internal and external partners (SC) support the knowledge sharing and exchanging with both internal and external partners (KT).

Question 3: How have the Sogoshosha's business communication and knowledge affected their diversified business development and their incumbent business maintenance simultaneously in a rapidly changing business circumstances?

Based on the previous discussions, we conclude that KT, such as knowledge sharing and exchange with internal partners, contributes to the development of ambidextrous business ability (OA) for the Sogoshosha. However, this explanation does not apply to external partnerships. On the contrary, SC for external partnerships is more positively related to OA than internal partnerships. This means that actual co-working with external partners and relationships with them based on trust and a shared vision (SC) have a greater effect on the Sogoshosha's ambidextrous ability (OA) than with internal partners. This may, in fact, detract from the benefit to OA by KT in the case of external partners.

In the case of external partnerships, to exchange and share knowledge (KT), trust, trustworthiness, and shared goals (SC), may be required beforehand, because the concerned persons are not in the same company and the Sogoshosha employees cannot easily evaluate their information without a suitable level of familiarity.

Question 4: How have the Sogoshosha generated and maintained their strategic flexibility, as their fundamental strength in their diversified and global functions, through their new business development and their incumbent business maintenance in a balanced way?

Based on the previous discussions, we conclude that an ambidextrous business ability such as the simultaneous achievement of incumbent business maintenance and new business development in a balanced manner (OA) contributes to the strategic flexibility of the Sogoshosha as their core competence and its sub dimensions, such as global networks, diversified business, and a long history (CC), regardless of the nature of the partnership.

We comprehensively conclude that the Sogoshosha achieve their CC (strategic flexibility: global network, diversified business, and long history) through the positive effect of OA (ambidextrous business ability: exploit, explore, and balance), fully mediated by knowledge sharing and exchange with their internal partners (KT).

Their ambidextrous business ability (OA) is strongly supported by the business network, trust, trustworthiness, and shared vision (SC) with external partners and is positively contributed to by KT with internal partners, which is merged with the effect of their internal business network, trust, and shared vision (SC). Knowledge sharing and exchange with internal and external partners (KT) for the Sogoshosha are positively supported by the effect of their internal and external network, trust, and shared vision (SC).

The weaker relationship between SC and OA, in internal partnerships as compared to external partnerships, can be explained by the full mediation effect of KT on SC to OA. This is because internal partnerships are closer within the same company and KT for the internal partners may have a stronger coefficient to OA. A stronger path coefficient from SC to OA in external partnerships, rather than internal partnerships, can be deduced, as SC may be required beforehand in the case of external partners, because they are not familiar with the Sogoshosha employees, which may detract from the benefit to OA by KT.

7.5 Contributions of the Research

7.5.1 Theoretical Contributions

There have been many studies on the Sogoshosha; however, because of their particularly Japanese nature, most of these were written in Japanese and have been discussed rarely in the global academic field, in spite of their huge presence in the global economy (Whelan 2012). The difficulty of access to the Sogoshosha's businesspeople who are engaged in a wide range of businesses globally with confidential information, has hindered academic research into the Sogoshosha, leading to a knowledge gap (Masaoka 2006). This research investigates the Sogoshosha from the academic perspective of social capital, knowledge transfer, organisational ambidexterity, and core competence. The researcher's direct access to the Sogoshosha employees and the Japanese literature on the Sogoshosha adds a more current perspective, fresh data, and broad information to the body of research. It is hoped that this will help to fill the gap in the academic study of the Sogoshosha.

As concerns core competence, Ljungquist (2007) pointed out the need to test empirically, for example by investigating the influence of the associated concepts and the characteristics of different core competence types, to refine the identification and verification of core competence and core competence management. This research specifies the Sogoshosha's unique core competence as strategic flexibility and investigates the important resources of the Sogoshosha's core competence. They are social capital, such as business networks; partnerships; trust; a shared vision; knowledge transfer, such as knowledge sharing and exchange with partners; and organisational ambidexterity, such as simultaneous achievement of the exploitation and exploration of business in a balanced manner. Their connection to core competence in the Sogoshosha are also discussed. Thus, we can conclude that this research fills the above gap in core competence research.

Adler and Kwon (2002) reported the risks and benefits of social capital and the balance between them. They suggested that this domain of research is a high priority for future research. The researcher postulates that the Sogoshosha may enjoy the ultimate benefit of social capital through exchanging information and creating intelligence platforms in their global networks while minimising the negative aspects of social capital as ambidextrous organisations.

Raisch and Birkinshaw (2008) reviewed various literature streams on organisational ambidexterity. They reported that a greater number of studies have concentrated on the structural approach and the impact of ambidexterity on organisational performance. Findings of other approaches or studies, concerning more complicated relationships that are affected by additional variables, are scarcer. They also noted that studies of contextual ambidexterity have remained rare and strategic points have been ignored, to a large extent. Mom et al. (2007) explained the lack of research on ambidexterity at the individual level of investigation. This research takes a contextual ambidexterity approach and focuses on individual abilities to exploit, explore, and balance in the Sogoshosha. We selected core competence, social capital, and knowledge transfer as variables in this research, and discussed their relationships with organisational ambidexterity for the Sogoshosha. Thus, this study contributes to the rarely developed field of organisational ambidexterity.

Weber and Weber (2011) used a qualitative study to investigate the impact of social capital on corporate venture capital (CVC), especially on its knowledge transfer and innovation performance. They suggested the necessity of research into the connection between intra- and inter-organisational levels beyond CVC. This research investigates the relationship between social capital and knowledge transfer by separating the communication or knowledge exchange pattern into internal partnership and external partnership cases for the Sogoshosha beyond CVC. Thus, this study contributes to the field of study on social capital and knowledge transfer.

7.5.2 Practical Contributions

This research selected internal and external relationships as the entrance point to social interaction for the Sogoshosha. All the variables, such as trust and a shared vision for social capital, know-how, know-what, and know-who for knowledge transfer, exploit, explore, and their balancing for organisational ambidexterity, and global networks, diversified business, and long history for core competence, are linked to the daily activity of the Sogoshosha's employees. As a result, this study clarifies that social capital is strongly related to organisational ambidexterity for the Sogoshosha, either directly or through knowledge transfer, which generates their core competence.

In the future's rapidly changing economic circumstances, social capital, knowledge transfer, and organisational ambidexterity may be key factors for the Sogoshosha and other trading companies, to survive and show a dominant presence. They can develop

their own fundamental strengths and unique functions, based on these key factors in the global business fields. They need to pay more attention to effective knowledge sharing with internal partners and producing trust and a shared vision with external partners in order to facilitate the development of their own fundamental strength as their core competence, as this research shows that this makes a positive contribution in the case of the Sogoshosha.

Tanaka (2012) concluded that there are no trading companies equivalent to the Japanese Sogoshosha in the world, at least at currently, from the perspective of scale and function, although there are similar Korean, Indian, and Chinese trading companies. These Asian trading companies may catch up with the Sogoshosha, in the future, as a result of their government's support.

Based on the previous discussions, we conclude that this research on the Sogoshosha will make a substantial contribution to business practitioners, especially in Japan and Asian countries. It may offer clues about how to improve their company's organisational performance from the aspects of knowledge transfer and partnerships with others, as well as their business level strategy, to which they are exposed in their daily activities.

7.6 Limitations

One of the main limitations to this research was the difficulty of collecting data from the Sogoshosha's employees. Most Japanese business people are reluctant to participate in research during business hours because of their working culture (Churchill & Brown 2004). This research asked the Sogoshosha employees to respond to a long questionnaire, including questions on their internal and external partners, which may have seemed to involve divulging confidential information. The researcher foresaw the difficulty of collecting data and appointed a marketing company to help him. The company had a huge respondent panel group that included all seven of the biggest trading company constituents of the Sogoshosha. However, only 86 responses were obtained from the marketing company, and thereafter 39 additional responses including the pilot survey data were obtained from the Marubeni Corporation via the researcher's company network. These data were consolidated to improve the statistical power, resulting in a total of 125 responses being collected for this study.

As concerns data sources, more than 39 of the total 125 responses were from the Marubeni Corporation. The researcher was careful not to focus on respondents from specific departments in his company in order to avoid data bias. This was potentially mitigated by the fact that the “Sogoshosha” is applied as a generic term to the seven biggest trading houses (JFTC 2015; Whelan 2012) based on their common characteristics and functions. The researcher also conducted factor analysis and verified that there was no common method variance in either internal or external partnerships.

Post-hoc analysis of control variables was limited to an investigation of the possible impact of age and number of years worked for the Sogoshosha. However, due to the fact that the sample size was too small to accommodate an exploratory investigation with sufficient statistical power, and the fact that there are no suggestions in the literature, we did not investigate any possible moderating effects of the control variables on the independent variables’ contributions to the dependent variable.

In addition, we did not investigate financial performance resulting from the Sogoshosha’s core competence in this thesis, although it may give a more concrete clue to the improvement of their business operation and performance. The discussion on competitive advantages for the Sogoshosha is limited. However, some benefit could be expected from an additional study that compares the Sogoshosha and other Japanese or foreign leading companies or groups, from the perspective of social capital, knowledge transfer, and organisational ambidexterity, and not only financial performance.

As long as the Sogoshosha remain unique Japanese business organisations, they will be difficult to compare directly with other companies. Another limitation of this study is that the researcher has a lesser relationship with the employees of those companies compared the Sogoshosha’s employees, which would increase the difficulty of collecting relevant data.

Finally, based on the existing body of literature, we only used the relational and cognitive dimensions to model the social capital construct. Nahapiet and Ghoshal (1998) also selected a structural dimension as an additional construct of social capital. This is typically measured by the quantity of ties and network diversity. However, this study did not attempt to measure the overall contribution of social capital, including the diversity and intensity of the Sogoshosha’s complete network, per se. Alternatively, it attempted

to evaluate and contrast the main contributions from the major internal and external partners.

If enough data were collected from each trading house in a Sogoshosha, we could analyse them through comparison. Sufficient data might enable researchers to conduct a more profound investigation, based on a combination of detail in the internal and external partner categories: such as the number of relationships between them, the gender of the partners, and their ranking. Control variables of geographic distinction, such as employees working in headquarters or in foreign branches and the department or organisation that the respondents belong to, could be discussed more broadly, in order to check their relationships with the dependent variables. These detailed investigations might indicate further relationships between social capital, knowledge transfer, organisational ambidexterity, and the Sogoshosha's core competence.

Studying the financial performance and competitive advantage of the Sogoshosha in comparison with other companies might also be a future direction for study, which could raise new hypotheses by adding still more relevant factors.

The structural dimension of social capital, as represented by the quantity of ties and network diversity, is a formative latent variable of the relational dimension, while no significant relationship has been verified between the structural and the cognitive dimension of social capital (Tsai & Ghoshal 1998). A further study that adds to the structural dimension might provide other findings concerning the business network.

This research could not undertake a longitudinal study because of the time limitations of a doctoral thesis. Doing this could generate further deep discussions about the changing relationship among these variables relative to the historical transition of the Sogoshosha. During the time period of this study, the business performances of the Sogoshosha and other prominent companies have changed dramatically, given the rapidly changing global economic conditions. They will continue to change as their environmental changes.

Longitudinal and periodical studies of the temporal effects of social capital and other factors that potentially influence Sogoshosha's core competence may provide additional suggestions on how these important Japanese and Asian business groups can better manage and improve their business and organisational performance.

7.7 Directions for Future Research

If enough data were collected from each trading house in a Sogoshosha, we could analyse them through comparison. Sufficient data might enable researchers to conduct a more profound investigation, based on a combination of detail in the internal and external partner categories: such as the number of relationships between them, the gender of the partners, and their ranking. Control variables of geographic distinction, such as employees working in headquarters or in foreign branches and the department or organisation that the respondents belong to, could be discussed more broadly, in order to check their relationships with the dependent variables. These detailed investigations might indicate further relationships between social capital, knowledge transfer, organisational ambidexterity, and the Sogoshosha's core competence.

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Longitudinal and periodical studies of the effect of social capital and other factors (which seem to be effective) on the Sogoshosha's core competence may give more practical hints and suggestions about how to manage and improve business and organisational performance with sustainability, in rapidly changing economic circumstances. This

researcher believes that research in this direction would be valuable for all business people worldwide.

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